# HSBC UK Bank plc

**Annual Report and Accounts 2024**

HSBC

# Contents



# Presentation of information

This document comprises the Annual Report and Accounts 2024 for HSBC UK Bank plc (‘the bank’ or 'the Company') and its subsidiaries (together ‘HSBC UK’ or ‘the group’). ’We’, ‘us’ and ‘our’ refer to HSBC UK Bank plc together with its subsidiaries. It contains the Strategic report, the Report of the Directors, the Statement of Directors’ Responsibilities and Financial Statements, together with the Independent Auditors’ Report, as required by the UK Companies Act 2006. References to ‘HSBC Group’ or ‘the Group’ within this document mean HSBC Holdings plc together with its subsidiaries.

A full list of abbreviations is provided on page 135.

HSBC UK is exempt from publishing information required by The Capital Requirements Country-by-Country Reporting Regulations 2013, as this information is published by its ultimate parent, HSBC Holdings plc. This information is available on the Group's website: www.hsbc.com.

Pillar 3 disclosures for HSBC UK are also available on www.hsbc.com, under Investor Relations.

All narrative disclosures, tables and graphs within the Strategic report and Report of the Directors are unaudited unless otherwise stated.

Our reporting currency is £ sterling. Unless otherwise specified, all £ symbols represent £ sterling and $ symbols represent United States of America ('US') dollars. The abbreviations '£m' and '£bn' represents millions and billions (thousands of millions) of £ sterling.

This Annual Report and Accounts 2024 contains certain forward-looking statements with respect to the financial condition, ESG related matters, results of operations and business of the group, including the strategic priorities; financial, investment and capital targets; and HSBC United Kingdom's ('UK') 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 group’s beliefs and expectations, are forward-looking statements. Words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘seeks’, ‘estimates’, ‘potential’ and ‘reasonably possible’, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. HSBC UK makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

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

# About us

HSBC UK Bank plc is a public limited company with debt securities traded on the London Stock Exchange. The Company is a ring-fenced bank and wholly owned subsidiary of HSBC Holdings plc. We leverage the rest of the HSBC Group network to support our customers and help to grow revenue across key trade corridors around the world.

Headquartered in Birmingham, we have over 15 million customers and over 18,400 full-time equivalent staff ('FTE') across the country. We are supported by approximately 5,500 FTE based in HSBC Global Services (UK) Limited, who provide services to HSBC UK and the wider HSBC Group.

In October 2024, the HSBC Group announced a new, simplified organisational structure to accelerate delivery against strategic priorities. Effective 1 January 2025, the Group operates through four new businesses: Hong Kong, UK, Corporate and Institutional Banking and International, Wealth and Premier Banking. The Group's functions are being realigned to support the four businesses.

For 2024, the bank operated under, and our reporting remained aligned to, our prior global business structure, Wealth and Personal Banking ('WPB'), Commercial Banking ('CMB') and Global Banking and Markets ('GBM'). The results are presented on this previous basis of segmentation.

## Wealth and Personal Banking

WPB offered a comprehensive set of banking products and services to support our customers to manage their day-to-day finances and help manage, protect and grow their wealth. We served over 14.4 million customers under our three brands: HSBC UK (including our Private Bank), first direct and Marks and Spencer ('M&S') Financial Services plc.

## Commercial Banking

CMB was a full-service international commercial bank, highly connected to the HSBC Group. We served over 685,000 clients, delivering the Group's comprehensive product suite to help meet our clients' international and domestic needs.

On 13 March 2023, HSBC UK acquired Silicon Valley Bank UK Limited ('SVB UK'), later renamed HSBC Innovation Bank Limited (HINV). HINV's results are presented within CMB.

## Global Banking and Markets

Within HSBC UK, we offered foreign currency payments, transaction banking and selected products to enable commercial hedging, as permitted under UK ring-fencing legislation. Through close collaboration with HSBC Group, we also make products that are not offered within HSBC UK available on an arms-length basis.

## Corporate Centre

Corporate Centre supports central operations of the HSBC UK business lines and comprises stewardship costs and interests in a joint venture.

## Our business focus and strategic priorities

We are committed to building on our strong platform for growth. HSBC is a highly connected, global business and the plans we set out in October 2024 aim to increase our leadership and market share in areas where we have competitive advantage, deliver best-in-class products and service excellence to our customers, and create a simpler, more dynamic, more agile organisation with clearer lines of accountability and faster decision making. These changes will reduce the duplication of processes built into our prior matrix management structure.

### Our priorities

We will be guided by three overarching priorities:

- Focus on our customers, delivering high satisfaction;
- Drive long-term growth by focusing on our strengths, increasing our leadership and market share in the areas where we can generate attractive returns;
- Simplify our structure and operating model. Reshape and rationalise our portfolio, to meet the needs of a fast-changing world.

## Stakeholder engagement

Building strong relationships with our stakeholders helps us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. Our stakeholders are the people who work for us, bank with us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. Many of our employees are customers and shareholders of the Group, while our business customers are often suppliers. Guided by our purpose, we aim to create value for our customers and shareholders by doing business responsibly, and thinking for the long term. Our section 172 statement, detailing our Directors' responsibility to stakeholders, can be found on pages 8 to 9.

## Financial performance

In 2024, we delivered 5% higher profit before tax of £275m, excluding the £1,307m non-recurring gain on the acquisition of SVB UK in 2023. Reported profit before tax is £5,647m, or 15% lower than 2023.

Reported revenue decreased by £828m, or 8%, to £9,979m. Excluding the gain recognised on the acquisition of SVB UK of £1,307m in 2023, revenue increased by £479m, or 5%, driven by balance sheet growth, an extra quarter of revenue from HINV, and repricing of the structural hedge driving net interest margin ('NIM') widening from 2.43% in 2023 to 2.56% in 2024, offsetting the impact of an increase in the mix towards interest-bearing deposit accounts, competitive mortgage pricing and two base rate cuts during the year.

Our loans and advances have grown by 3% in 2024 with a stable market share. Customer accounts have grown by 4% in 2024 primarily driven by an increase in retail deposits from a growing market size, whilst commercial banking deposits have been stable in-line with the market. There was also an increase in intra-group deposits.

Expected credit losses ('ECL') and other credit impairment charges decreased by £106m from £421m in 2023 to £315m in 2024 driven by lower stage 3 charges in CMB combined with improved forward economic outlook in 2024.

Operating expenses increased by £310m or 8% to £4,017m in 2024. This was driven by ongoing planned investment in technology, wage inflation and an extra quarter of costs from HINV. In addition to the new Bank of England ('BoE') levy introduced in 2024 (which replaced the Cash Ratio Deposit ('CRD') scheme) and lower accounting benefit from our defined benefit pension surplus, offset by a favourable net movement in certain provisions. We continue to actively manage our cost base, whilst remaining committed to investing in our business.

Our 2024 reported Return on Tangible Equity ('RoTE') of 20.2% was 8.2% lower than the 2023 reported RoTE of 28.4%. The profit for 2023 included the impact of a gain recognised on the acquisition of SVB UK, excluding which the RoTE was 22.4%. Supported by a Common equity tier 1 ('CET1') ratio of 13.6% and Liquidity coverage ratio ('LCR') of 190% as at 31 December 2024, our balance sheet remains resilient with sufficient capital and liquidity.

Our Financial summary, containing further details of our financial performance, can be found on page 10.

## Risk overview

We use an established risk management framework underpinned by a strong culture to enable effective risk governance and an understanding of the risks that apply to HSBC UK. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. Full details of our top and emerging risks are included on page 18.

## Other statutory information

During November and December 2024, HSBC UK Bank plc restructured its shareholders' funds, with no overall impact on its regulatory capital, and:

- converted its Share premium account (£9bn) into Retained earnings; and
- capitalised its Group Reorganisation Reserve (£5.2bn) via a bonus issue of ordinary shares which were subsequently cancelled and converted into Retained earnings.

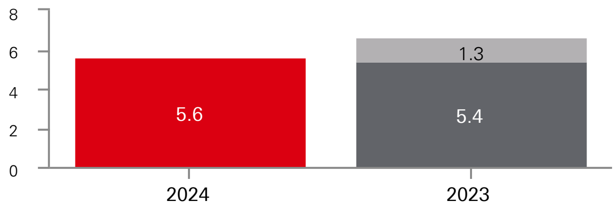
The cancellation of the share premium account and the bonus shares was approved by the Court in November 2024 and became effective upon registration at Companies House in December 2024.

# Financial highlights

For the year ended 31 December 2024

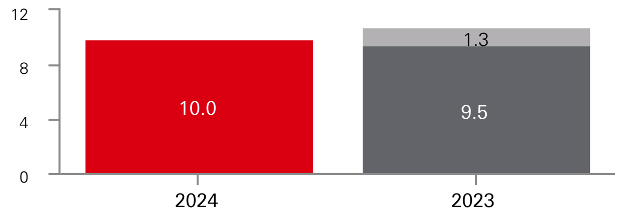
## Profit before tax

£5.6bn
(2023: £6.7bn)



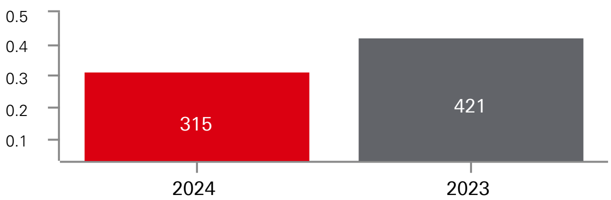

## Revenue

£10.0bn
(2023: £10.8bn)



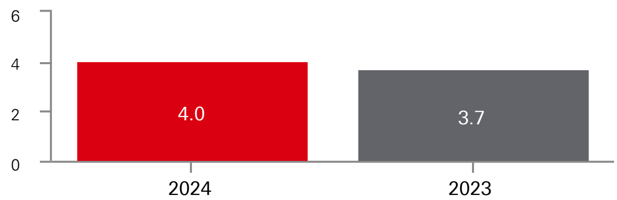

## Expected credit losses and other credit impairment charges

£315m
(2023: £421m)



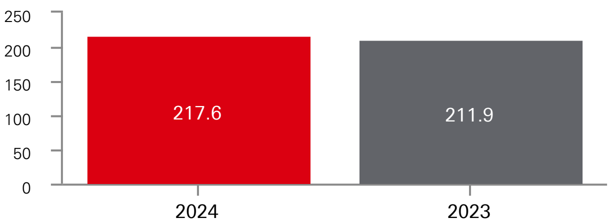

## Operating Expenses

£4.0bn
(2023: £3.7bn)



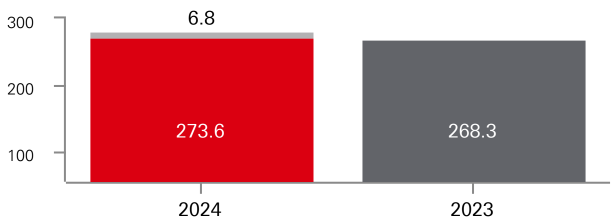

## Loans and advances to customers

£217.6bn
(2023: £211.9bn)



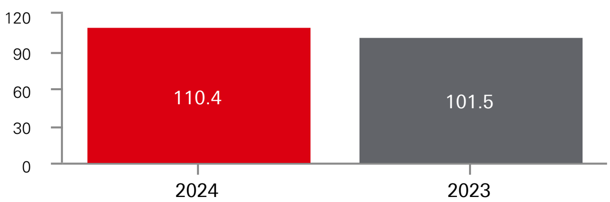

## Customer accounts

£280.4bn
(2023: £268.3bn)



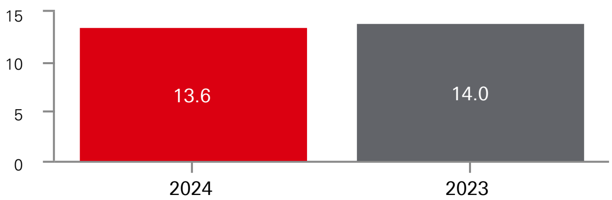

## Risk-weighted assets

£110.4bn
(2023: £101.5bn)




## Common equity tier 1 capital ratio

13.6%
(2023: 14.0%)




For 2024, Customer accounts include £6.8bn of short term Markets Treasury deposits from HSBC Holdings plc. For 2023, Profit before tax and revenue includes a non-recurring gain on the acquisition of SVB UK of £1.3bn.

# Key financial metrics

| | Year ended | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| **Reported results** | | |
| Revenue (£m)[1] | **9,979** | 10,807 |
| Profit before tax (£m)[2] | **5,647** | 6,679 |
| Profit after tax (£m) | **4,139** | 5,254 |
| Profit attributable to the shareholders of the parent company (£m) | **4,134** | 5,249 |
| Net interest margin (%) | **2.56** | 2.43 |
| Cost efficiency ratio (%)[2] | **40.3** | 34.3 |
| **Alternative performance measures** | | |
| Expected credit losses and other credit impairment charges as % of average gross loans and advances to customers (%) | **0.15** | 0.20 |
| Return on average ordinary shareholder's equity[6] (%) | **16.5** | 22.8 |
| Return on average tangible equity[2,6,7] (%) | **20.2** | 28.4 |

| | At | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| **Balance sheet** | | |
| Total assets (£m) | **340,877** | 332,876 |
| Net loans and advances to customers (£m) | **217,604** | 211,887 |
| Customer accounts (£m) | **280,366** | 268,345 |
| Average interest-earning assets (£m) | **316,007** | 320,354 |
| Loans and advances to customers as % of customer accounts (%) | **77.6** | 79.0 |
| Total shareholders' equity (£m) | **25,911** | 26,010 |
| Tangible ordinary shareholders equity (£m) | **19,351** | 19,463 |
| **Capital, leverage and liquidity** | | |
| Common equity tier 1 capital ratio (%)[2,3] | **13.6** | 14.0 |
| Total capital ratio (%)[3] | **18.6** | 19.5 |
| Risk-weighted assets[3] (£m) | **110,423** | 101,478 |
| Leverage ratio[3] (%) | **5.8** | 6.1 |
| High-quality liquid assets (liquidity value) (£m)[4] | **91,348** | 94,765 |
| Liquidity coverage ratio (%)[5] | **190** | 201 |

1 Revenue also refers to net operating income before change in expected credit losses and other credit impairment charges.
2 These metrics are tracked as Key Performance Indicators ('KPIs') of the group.
3 Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis, which ends from 1 January 2025. Consolidated capital figures and ratios are reported on a Revised Capital Requirements Regulation and Directive ('CRR II') transitional basis for capital instruments and the leverage ratio is calculated using the CRR II end point basis for capital.
4 Regulatory numbers and ratios are as presented at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we will restate in subsequent periods.
5 The LCR is based on the average month-end value over the preceding 12 months.
6 Excluding a gain recognised on the acquisition of SVB UK in 2023, RoTE was 22.4%in 2023.
7 In the event that the current IAS 19 Pension fund surplus was zero, RoTE would be 22.8% (2023: 32.4%, 25.5% excluding a gain on acquisition of SVB UK), we refer to this as Pension Adjusted RoTE. Further details are on page 134.

## Business performance and KPIs

Management tracks the bank's progress in implementing its strategy with a range of financial and non-financial measures or KPIs. Progress is assessed by comparison with the group's strategic priorities, operating plan targets and historical performance. KPIs are reviewed regularly and Management may adopt new or refined measures to better align with HSBC UK's strategic priorities.

For further details on non-financial KPIs, such as customer service and satisfaction, please refer to page 6; for employee engagement and inclusion refer to page 7; for sustainability refer to page 7 and for other non-financial KPIs refer to the Corporate Governance section on pages 72 to 76.

# Our purpose, values and strategy

## Our purpose

Opening up a world of opportunity.

## Our values

Our values help define who we are as an organisation, and are key to our long-term success:

- We value difference
- We succeed together
- We take responsibility
- We get it done

## Strategic performance

We have been recognised by The Banker as Bank of the Year 2024, for the second consecutive year, in addition to being recognised as the UK Best Bank in the Euromoney Awards for Excellence 2024.

**Focus on the customer**
We aim to attract more **customers**, improve their experience and deliver good customer outcomes. We are proud to have reached a significant milestone in 2024, and now bank over 15 million retail and commercial customers.

Improving customer experience, measured in part through Net Promoter Score ('NPS'), is a key strategic imperative and guides our investment decisions. In HSBC UK WPB, our latest strategic NPS results in 2024 showed a modest improvement in rank vs. our peers, moving to joint 11th, from joint 13th at the end of 2023. first direct continues to be ranked among the top retail providers. In CMB, as measured by the Savanta MarketVue Business Banking Survey[1], our Mid-Market Enterprise ('MME') segment has improved its rank to 2nd position at FY24 (FY23: 3rd). Our Business Banking Portfolio Managed segment maintained 7th position and our Relationship Managed segment fell one rank to 5th. HSBC is Share Leader in UK Corporate Banking with 75% market penetration[2], and our Large Corporate sector was ranked 3rd for NPS in the 2024 Coalition Greenwich UK Commercial Study. We acknowledge there is more to be done to consistently meet our customers' expectations.

We have continued to invest in our physical footprint and have committed to announce no further branch closures until 2026. We have spent over £59m refurbishing our branches and invested in upgrading our self-service machines. We have complimented our branch presence, with HSBC UK now present in 64 banking hubs, and over 3,600 'HSBC UK Local' pop-up events delivered over 2024. To support vulnerable customers, this year we launched our new online self-service disclosure form to allow customers to tell us if they require additional, tailored support.

**Drive long-term growth**
Our **international** network remains one of our key differentiators, and we aim to scale our international propositions and global connectivity. We continue to receive external recognition for our international capabilities with HSBC Group being recognised as the #1 Payments Bank, #1 Trade Bank and #1 FX provider for Corporates among our global and UK peers, and voted Best Bank for Corporates in the UK (Euromoney 2024). Inbound and outbound revenues have increased by 10.8% and 8.5% respectively and Multi-Jurisdictional Revenue has increased 8% (vs FY23). Global Wallet, our multi-currency account, is now available to all business customers. In WPB, Global Money now has 1.3 million customers and we have expanded our international mortgage proposition to help facilitate and simplify cross-border financing.

We aim to support individuals and businesses to manage and grow their **wealth**. In March, we introduced our first Fixed Rate Cash ISA, expanding the suite of savings options available to our customers. More recently, in November, we relaunched our Premier proposition, with new and improved account features aiming to support customers in a number of different elements of their lifestyle: wealth, health, travel and international. Across our Retail and Private Bank, wealth balances, which includes invested assets and wealth deposits, increased 11% to over £53.1bn (FY23: £47.8bn).

We leverage our balance sheet to seek to fulfil our customers' **lending** needs and aim to provide a seamless **payments** experience. Our loans and advances increased by 3% in 2024, driven by CMB lending and mortgage growth, with mortgage market stock share now at 8.1%[3]. We have delivered our second consecutive strongest year for Credit Card sales, with a 9.6%[4] acquisition market share. In April, we announced a renewed seven-year relationship with Marks and Spencer plc, focused on enhancing credit and payments offering through M&S Bank. More recently, in November, we launched FlexiPay, our buy-now-pay-later proposition with a large UK energy provider, to enhance our credit offering to customers wishing to retrofit their home. In CMB, we remained focused on our Transaction Banking approach, delivering joined-up solutions to help support our clients' domestic and international aspirations through our full range of solutions across Trade, Payments and Foreign Exchange. In Global Payment Services, we launched Smart Transact, designed to provide our customers with quicker, more consistent on-boarding and product fulfilment journeys, across markets.

HINV is a core part of the global HSBC Innovation Banking proposition, aiming to deliver globally connected specialised banking services and expertise to **innovation** businesses and their investors. 2024 saw continued growth with client acquisition volumes exceeding our expectations, signifying the opportunity HINV provides our customers as a valuable member of the HSBC Group. We have also successfully implemented the HSBC UK Risk Management Framework into HINV.

Our strength in **collaboration** across lines of business, brands, and other parts of the Group remained a competitive advantage. We can leverage the scale of our business and seek to unlock value for our customers by supporting their holistic needs. In 2024, cross business collaboration generated revenue of $1.5bn, up 13% vs. FY23. CMB generated 53% of all net new money for the Private Bank, in addition to recently launching a new Private Credit solution in partnership with HSBC Asset Management, to support a market that continues to grow and diversify.

**Be simple and agile**
From 1 January 2025, the UK will become one of the four HSBC Group businesses and we will benefit from shorter lines of decision making, empowering our colleagues to get things done.

In 2024, we continued to invest in technology to simplify our business, enhance customer experience and drive operational resilience. Our investment aimed to improve the agility, usability, reliability and security of our services. We have introduced a number of new **digital** capabilities for our customers. In WPB, we launched a new streamlined customer onboarding journey and improved real time decision making in our fraud management systems through the use of new software. To improve digital access for our Private Banking clients, we started migrating our clients across an improved digital banking platform to give access to better online and mobile banking functionality. In CMB, we are phasing in our new Digital Credit Platform to streamline our credit journey to provide quicker

1 Data is weighted based on turnover and region.
2 Coalition Greenwich Voice of Client – 2024 Europe Large Corporate Banking Study.
3 BoE – Gross Lending, Net Lending & Stock, DEC24.
4 Argus data to OCT24.

decisions and time to cash availability for our clients. In HSBC Trade Services, we migrated to a new platform, providing improved foundations for client interaction through digital channels. We also continued to simplify our product range, closing a number of off-sale products.

## ESG update

In 2020, HSBC Group set out an ambition to help our customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. In January 2024, HSBC Group published their first Net Zero Transition Plan, which provides an overview of our approach to net zero and the actions we are taking to help meet our ambition across the HSBC Group.

For further details please refer to the 'ESG Overview' section in the HSBC Holdings plc ARA 2024.

In 2024, HSBC UK facilitated and provided $9.6bn of **sustainable** finance and investment, providing expertise and guidance in key areas such as infrastructure and renewables. We launched our Sustainability Improvement Loan to support SMEs, and partnered with a carbon management company to help clients measure their carbon footprint. We also launched our Sustainable Farming Pathway in partnership with an agricultural charity, providing discounted loan arrangement fees for farming businesses who have a relevant sustainability certification. For retail customers we introduced an Energy Efficient Home Cashback Mortgage incentive for customers who purchase energy efficient homes through our broker channel and launched a new Sustainability Hub on our website to support customers to make more sustainable choices.

Our philanthropic climate **partnerships** support projects that seek to tackle climate change. In 2024 we have continued to support the National Trust to create woodland habitats, with over 1,022 hectares created and one million trees planted and established since 2021. We have also worked with Imperial College London and the University of Birmingham to support early-stage ventures to develop services or technologies which have the potential to adapt or mitigate against the effects of climate change. Since the start of the programme, 185 ventures have participated in these university accelerators.

Our social partnerships aim to help people and businesses make the most of their money now and in the future. Our partnership with the housing and homelessness charity Shelter has helped more than 61,000 people since launch in April 2023. We continue to support building children's financial capability with Money Heroes, the Scouts, the King's Trust and our colleague Education Volunteer Network. In addition, we launched a new partnership with Girlguiding in November 2024, to create activities and the Money Skills 'I'm Money Confident' badge. These will help Rainbows, Brownies, Guides and Rangers build their confidence with money. In 2024, HSBC UK donated £7.2m to charities and non-profit organisations running programmes and projects in the UK. Our employee-led projects supported 62 local charities and 3,661 employees took paid volunteering leave to support their local communities.

We are embedding a customer-centric, high-performance **culture**. The results from our 2024 employee sentiment survey were encouraging, with record high participation and a 10ppts increase in employee engagement. To help drive further colleague advocacy, we have improved our employee banking proposition, offering all UK employees access to our new Premier proposition. We continue to drive our inclusion strategy, focused on Representation, Reputation and Respect. In 2024 we have progressed against our senior representation ambitions, meeting our goals for both Black Heritage and female representation. Additionally, we are proud to have been named Outstanding Employer of the Year at the UK Ethnicity Awards, ranked 3rd for LGBTQ+ inclusion in the Stonewall index, won a Disability Smart Accessible Built Environment Award for integrating accessibility into all our branch refurbishments and driven a 30 place gain in the Social Mobility Employer Index (37th for 2024). Empowering colleagues to speak up and raise issues remains critical. Multiple channels are available to our employees, including our HSBC Confidential whistleblowing and Human Resources ('HR') Direct platform.

# Economic background and outlook

## UK economic outlook

The UK saw a Gross Domestic Product ('GDP') growth recovery in the first half of 2024, followed by a sharp loss of momentum in the second. GDP was flat in the third quarter and grew a modest 0.1% quarter on quarter in Q4. Much of the weakness in H224 came from the private sector which reported a contraction. Nonetheless, GDP grew 0.9% in 2024, up from 0.4% in 2023.

While HSBC Global Research forecast the UK economy to expand by 0.9% in 2025, much of this reflects increases in spending and investment by the public sector. For the private sector, business surveys suggest sentiment has deteriorated and the outlook is a little more sluggish, particularly if interest rates come down only slowly and the government tightens fiscal policy at the Spring Statement.

The labour market has weakened, although there is some uncertainty over the unemployment rate, pending the Office for National Statistics' review of its Labour Force Survey. Latest estimates suggest unemployment stood at around 4.4% in November up from a low of 3.6% in August 2022, with vacancies down 38% on their May 2022 peak. With the market still relatively tight, annual pay growth has picked back up again, and public sector pay settlements and the 6.7% rise in the National Living Wage in April will keep the rate relatively high. HSBC Global Research expects total pay growth of 4.7% in 2025, down from 5.2% in 2024.

UK Consumer Price Index ('CPI') inflation fell from its high point of 11.1% year on year in October 2022 to a low of 1.7% year on year in September 2024, before rising back to stand at 2.5% in December 2024. Core CPI inflation stood at 3.2% year on year in December 2024, down from its May 2023 high of 7.1%.

With energy prices back up and the pound having weakened, and with additional risks that new taxes on businesses will be passed onto consumers, HSBC Global Research expects CPI headline inflation to remain above the BoE 2% target throughout 2025 and 2026. On an average annual basis, HSBC Global Research expects CPI inflation of 2.5% in 2025 and then 2.4% in 2026.

The BoE cut Bank Rate by 25 basis points ('bps') in August 2024, November 2024, and February 2025, reducing it from 5.25% to 4.50%. Market pricing currently implies between two and three 25bps further cuts in 2025. In September 2024, the BoE announced that it would continue its quantitative tightening programme, with a further £100bn of balance sheet reduction in the year to September 2025.

# Stakeholder engagement

This section forms our section 172(1) statement for the year. The purpose of this section is to describe how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when discharging their duty to promote the long-term success of the bank. The first part, 'Engaging with our key stakeholders', sets out information about the stakeholders we view as critical to the bank and its prospects, including how the Board considered them in its discussions and decision-making throughout the year. The second part, 'Principal Strategic Decisions', provides two examples of principal discussions and decisions taken by the Board in 2024 when discharging their responsibility. These show how the Directors and Board respectively discharged their individual and collective responsibility for promoting the long-term success of the bank and took different stakeholder considerations into account in reaching a decision or forming a view. More detailed information on the activities of the Board during 2024 are set out in the Corporate Governance Report on page 72.

## Engaging with our key stakeholders

A broad range of events were attended by members of the Board to help them understand what really mattered to the bank's stakeholders and validate that the bank's strategy continued to support them.

Through our Board Engagement Plan we continued to provide opportunities for the Board to hear more of the employee voice within the business and engage directly with customers.

### Customers

Meeting customers' needs is central to the bank's business. How we have served and supported our customers during 2024 is covered in the 'Our strategy' section on page 6 in the Strategic report. Examples of how the Board has engaged with customers during 2024 include:

- Chief Executive Officer ('CEO') reports provided key customer-related metrics and performance indicators, such as customer survey feedback and net promoter scores. This allowed the Board to monitor the bank's approach to supporting customers and oversee the impact of associated activities. Other reports to the Board covered issues such as complaints, supporting vulnerable customers, and improving the customer experience and journey to meet the Financial Conduct Authority ('FCA's') Consumer Duty obligations. This enabled the Board to assess whether more was required to achieve HSBC UK's ambition to be a truly customer-centric organisation.
- Undertaking a review of the bank's customer-centric transformation and assessing whether the key actions being taken to improve the bank's Strategic Net Promoter Score were sufficient to drive the improvements expected.
- Directors hosted an engagement session with some of HINV's customers to understand how they had felt the transition to HSBC had been handled, what their key areas of focus and priorities were, and how HSBC could support them.

### Employees

The Board recognises that our employees help us fulfil our potential and execute our strategy. We are committed to fostering an inclusive and diverse working environment where the health and well-being of our employees enables them to serve our customers better. How we engage with employees in different ways, as well as our focus on improving diversity and inclusion in HSBC UK, is detailed on page 7. Examples of how the Board engaged with employees in 2024 include:

- Directors hosted events with colleagues from across the bank to hear their perspectives of what it is like to work for HSBC UK, whether they felt HSBC UK was making a difference for its customers and what more can be done to improve their own experiences in the workplace.
- Directors interacted with the bank's top talent to deepen their familiarity with those employees in the talent pool. They also hosted events with small groups of employees from the talent pool to help foster a culture of excellence and continuous improvement.
- CEO reports provided updates on employee related activities and events, metrics on employee attrition, gender-diversity, personal conduct cases and the results of the internal employee survey. This allowed the Board to understand employee sentiment, health and well-being throughout 2024.
- The Board received a People and Culture update allowing directors to evaluate whether HSBC UK's People Priorities were enabling employees to drive high-performance, reinforcing customer-centricity and conduct expectations, and supporting the Bank's growth ambitions.

### Shareholder and investors

The bank is a wholly owned subsidiary of HSBC Holdings plc and therefore the Board and its executive management consider the impact and implications of their decisions in relation to its shareholder and debt security investors. Examples of how the Board did this include:

- Removing a constraint to dividend capacity to support the distribution of excess capital to its shareholder, in line with its Dividend Policy. Further information can be found in the 'HSBC UK capital reorganisation' section on page 9.
- The Board Chairman and Committee Chairs engaged with their Group counterparts and attended Group forums and Board Committee meetings, together with Executive Directors, to engage on common issues and strategic priorities.
- Evaluating the strength of the bank's balance sheet to ensure that the ability to pay principal or interest on its listed debt securities was not at risk.

### Suppliers

Suppliers provide critical support to help us operate our business effectively. We work with our suppliers to ensure mutually beneficial relationships. An example of Board engagement during 2024 includes:

- The Chief Operating Officer's regular reports on third-party supplier matters such as the operating model, relationship management, material outsourcing, performance and operational resilience.

Further detail on third party risk management is included in the Risk Section in the Report of Directors on page 23

### Communities

HSBC UK has an important role in supporting the communities in which it operates. We have established a number of community partnerships which are detailed in the 'ESG update' section on page 7. During the year, the Board encouraged management to increase the impact of HSBC UK's societal purpose by supporting social and community projects which increase people and business' financial inclusion; resilience; capability; and opportunity. This included:

- Expanding the partnership with the homelessness charity Shelter, with Directors attending Candlelight Concerts hosted by the bank to both raise funds for Shelter and build awareness of the important work the charity does.
- Assessing HSBC UK's societal ambition and funding commitments to ensure a continued focus on financial resilience and education.

- Reviewing HSBC UK's net zero transition plans and challenging the level of HSBC UK's ambition, priority areas of focus for UK WPB and CMB, as well as the approach to resourcing to support the programme.

## Regulators and Government

As a UK bank, the government and regulators in the UK are key stakeholders with whom we maintain constructive dialogue and relations. Examples of Board engagement with them during 2024 include:

- Robust review and challenge of the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process, including the key underlying assumptions for deposit outflows from digitally active and multi-banked customers, and the sequence and timing of management actions in response to stress.
- Meetings between Directors and regulators, both as part of continuous assessment and on specific issues such as the Prudential Regulation Authority (‘PRA's’) Periodic Summary Meeting Letter and the FCA’s Firm Evaluation Letter.
- Participation by Directors in government and regulatory consultations, industry forums and round table events with particular focus on how banks, regulators and government can work together to help Britain grow.

# Principal Strategic Decisions

To provide some examples of how the Directors have exercised their statutory duties under section 172(1) of the Companies Act 2006 in relation to matters of strategic importance during 2024, set out below are overviews of two of the principal decisions made by the Board during 2024 and some of the matters the Board took into account in taking such decisions.

## Operational Resilience Self-Assessment

Throughout 2024, the Board has highlighted the strong link between delivering good customer outcomes under the Consumer Duty and improving operational resilience, for example, improving customer experience by reducing service outages. The Board reviewed the investment spend which was allocated to modernise the technology estate and assessed additional initiatives that had been identified to support customer experience by improving resilience within customer journeys. The Board stressed the importance of digitising the production of sufficient data to enable it to monitor the following items effectively: resilience; customer outcomes; progress of execution against the consolidated action plan; and cultural change.

The Board is required to approve HSBC UK’s Operational Resilience Self-Assessment ('ORSA') on an annual basis, together with any changes to HSBC UK’s Important Business Services ('IBS') and Impact Tolerance ('ITOL'). When considering the ORSA, the Board was mindful of the following:

- The importance of regular engagement with the regulators to ensure that HSBC UK's operational resilience areas of priority were aligned with those of the regulators.
- The need for Management to ensure that any Group dependencies were well managed, as well as ensuring HSBC UK was adequately supporting the Group-led Operational Resilience Acceleration Plan.
- Those employees that were Business Service Owners ('BSOs') were core to the successful embedding of the Operational Resilience programme. To this end, it was critical that they were well supported and that the model for BSO interaction with Group colleagues was sufficiently focused on technology, third-party management, and business continuity & incident management.

To support HSBC's Operational Resilience programmes, an external consultancy firm had been appointed to help drive change across the Group as a core aspect of the ongoing operational resilience work. The Board considered that the strength of the observations and recommendations that had been raised needed to be better reflected in the tone and language of the ORSA. Following this feedback, and a further review by the Board's Risk Committee who challenged Management, the ORSA (including the IBS and ITOL) was updated and subsequently approved by the Board.

## HSBC UK capital reorganisation

To simplify HSBC UK’s shareholders' funds structure, Management recommended converting HSBC UK’s share premium account and Group reorganisation reserve ('GRR') to retained earnings, which required Prudential Regulation Authority ('PRA'), shareholder and Court approval (the “Capital Reorganisation”). The Capital Reorganisation involved:

- capitalising the GRR via a bonus issue of ordinary shares to HSBC Holdings plc;
- cancelling and extinguishing those ordinary shares, creating additional Retained earnings; and
- cancelling the share premium account in its totality, creating additional Retained earnings.

When considering the Capital Reorganisation, the Board was mindful of the different interests of key stakeholder groups, in particular:

- The need to engage with the PRA given that the capitalisation of the GRR via the bonus issue of ordinary shares required a Pre-Issuance Notification to the PRA, and the cancellation of the bonus shares and the share premium account required PRA consent;
- The importance of protecting creditors by undertaking proportionate due diligence to confirm that the Capital Reorganisation would not result in HSBC UK being unable to discharge its debt or claims when they fall due;
- Engagement with HSBC UK’s sole shareholder, HSBC Holdings plc, to call a general meeting to provide shareholder approval for the GRR capitalisation and subsequent cancellation of the bonus shares and the share premium account; and
- The requirements of the High Court of Justice in England and Wales given that the cancellation of the bonus shares and the share premium account required Court approval.

Based on the information provided, and taking into account the interests of relevant stakeholders, the Board decided to proceed with the Capital Reorganisation to simplify the company’s shareholders' funds structure.

Shareholder approval for the Capital Reorganisation was obtained at a General Meeting of the company on 17 October 2024. The cancellation of the bonus shares and the share premium account was approved by the High Court of Justice in England and Wales on 19 November 2024 and took effect upon the Court order being registered with Companies House on 12 December 2024.

# Financial summary

Summary consolidated income statement for the year ended

Audited

| | Year ended | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| | **£m** | £m |
| Net interest income | **8,084** | 7,787 |
| Net fee income | **1,308** | 1284 |
| Net income from financial instruments held for trading or managed on a fair value basis | **454** | 414 |
| Gain on acquisition of subsidiary[1] | **—** | 1,307 |
| Other operating income | **133** | 15 |
| **Net operating income before change in expected credit losses and other credit impairment charges** | **9,979** | 10,807 |
| Change in expected credit losses and other credit impairment charges | **(315)** | (421) |
| **Net operating income** | **9,664** | 10,386 |
| Total operating expenses | **(4,017)** | (3,707) |
| **Operating profit** | **5,647** | 6,679 |
| **Profit before tax** | **5,647** | 6,679 |
| Tax expense | **(1,508)** | (1,425) |
| **Profit for the year** | **4,139** | 5,254 |
| Profit attributable to shareholders of the parent company | **4,134** | 5,249 |
| Profit attributable to non-controlling interests | **5** | 5 |

1 Gain of £1.3bn recognised in respect of the acquisition of SVB UK.

## Reported performance

The 2024 reported profit before tax of £5,647m was £1,032m, or 15%, lower than 2023. 2023 included £1,307m a non-recurring gain on the acquisition of SVB UK. Excluding this, profit before tax increased by £275m, or 5%.

Reported revenue decreased by £828m or 8%, to £9,979m. Excluding the gain recognised on the acquisition of SVB UK in 2023, revenue increased by £479m, or 5%.

**Net interest income ('NII')** increased by £297m, or 4%, despite two BoE Base Rate cuts in 2024. This is mainly driven by balance sheet growth, an extra quarter of income from HINV, and repricing of the structural hedge, partly offset by the impacts of competitive mortgage and deposit pricing, as well as an increase in the mix towards interest-bearing deposit accounts.

**Net fee income** increased by £24m, or 2%, driven by the addition of fee income from HINV and capital financing fees, partly offset by lower fees in transaction banking, lower foreign exchange fees and higher credit card reward costs.

**Net income from financial instruments held for trading or managed on a fair value basis** increased by £40m, or 10%, principally due to higher income from foreign exchange spot deals.

**Other operating income** increased by £118m, mainly due to non-recurring disposal losses in 2023 from repositioning and risk management activities in our hold-to-collect-and-sell portfolio.

**ECL** decreased by £106m from £421m in 2023 to £315m in 2024 driven by lower stage 3 charges in CMB combined with improved forward economic outlook in 2024.

**Total operating expenses** increased by £310m or 8% to £4,017m in 2024. This includes the new BoE levy introduced in 2024 (which replaced the CRD scheme) and lower accounting benefit of our defined benefit pension surplus, offset by a favourable net movement in conduct and legal provisions. Excluding the favorable movement in provisions, operating expenses increased due to ongoing planned investment in technology, wage inflation and an extra quarter of costs from HINV. We continue to actively manage our cost base, whilst remaining committed to investing in our business.

**Tax expense** effective rate is 26.7% (2023: 21.3%). The effective tax rate ('ETR') for 2024 is lower than the statutory tax rate mainly due to tax relief on Additional Tier 1 ('AT1') coupon payments, prior year adjustments and tax credits from release of provisions. The effective tax rate for 2023 was reduced by 5.4% due to non-taxable gain arising on the acquisition of SVB UK in the period. The effective tax rate excluding this item was 26.7% and reflected the statutory blended tax rate of 27.75%, tax relief on AT1 coupon payments and a tax credit from the release of provisions for uncertain tax positions. On 1 April 2023, the main rate of UK corporation tax increased from 19% to 25% and the UK banking surcharge rate decreased from 8% to 3%, giving a rate of 28% for HSBC UK Bank plc and its banking subsidiaries in 2024 (2023: 27.75%). The tax rate applicable for non-banking entities in 2024 is 25% (2023: 23.5%).

Net interest income

| | Year ended | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| | **£m** | £m |
| Interest income | **14,789** | 12,915 |
| Interest expense | **(6,705)** | (5,128) |
| **Net interest income** | **8,084** | 7,787 |
| Average interest-earning assets (AIEA) | **316,007** | 320,354 |
| | **%** | % |
| Gross interest yield[1] | **4.68** | 4.03 |
| Less: Gross interest payable[1] | **(2.69)** | (2.06) |
| Net interest spread[2] | **1.99** | 1.97 |
| Net interest margin[3] | **2.56** | 2.43 |

1 Gross interest yield is the interest income as a percentage of Average interest-earning assets ('AIEA'). Gross interest payable is the interest expense as a percentage of average interest-bearing liabilities.
2 Net interest spread is the difference between the gross interest yield and the gross interest payable.
3 Net interest margin is net interest income as a percentage of AIEA.

Net interest margin increased from 2.43% in 2023 to 2.56% in 2024. This was driven by the benefits of structural hedge repricing, partly offset by narrowing of mortgage margins as a result of higher margin back-book continuing to roll-off despite our front-book margin improving, and higher funding costs as the mix of interest-bearing deposits increased.

## Return on average tangible equity

RoTE is measured as reported profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles. A reconciliation is provided on page 134, which details the adjustments made to the reported results and equity in calculating RoTE. Our 2024 reported RoTE was 20.2% which was 8.2% lower than the 2023 RoTE of 28.4%, driven by lower reported profit before tax.

## Alternative performance measures

To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

## Segmental reporting

Global businesses are our reportable segments under IFRS 8.

The HSBC Group Chief Executive, supported by the rest of the Group Executive Committee, is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the HSBC Group's, and therefore HSBC UK's, reportable segments. HSBC UK's CODM is the HSBC UK Chief Executive, supported by the HSBC UK Executive Committee.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to global businesses. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs which are not allocated to global businesses are included in Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-group elimination items are presented in the Corporate Centre.

A description of the global businesses is provided in the Strategic report, page 2.

Reported profit before tax and balance sheet data for the year ended

| | WPB | CMB | GBM | Corporate Centre | Total |
|---|---|---|---|---|---|
| **At 31 Dec 2024** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Net operating income/(expense) before change in expected credit losses and other credit impairment charges** | **4,641** | **5,199** | **159** | **(20)** | **9,979** |
| – external | **4,215** | **4,974** | **389** | **401** | **9,979** |
| – inter-segment | **426** | **225** | **(230)** | **(421)** | **—** |
| – of which: net interest income | **3,951** | **4,250** | **(2)** | **(115)** | **8,084** |
| Change in expected credit losses and other credit impairment charges | **(46)** | **(269)** | **—** | **—** | **(315)** |
| **Net operating income/(expense)** | **4,595** | **4,930** | **159** | **(20)** | **9,664** |
| Total operating income/(expenses) | **(2,536)** | **(1,512)** | **(45)** | **76** | **(4,017)** |
| **Operating profit** | **2,059** | **3,418** | **114** | **56** | **5,647** |
| **Profit before tax** | **2,059** | **3,418** | **114** | **56** | **5,647** |
| | **%** | **%** | **%** | **%** | **%** |
| Cost efficiency ratio | **54.6** | **29.1** | **28.3** | **380.0** | **40.3** |
| **Balance sheet information** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Loans and advances to customers (net) | **147,756** | **70,025** | **—** | **(177)** | **217,604** |
| Customer accounts | **178,873** | **101,853** | **—** | **(360)** | **280,366** |
| At 31 Dec 2023 | | | | | |
| Net operating income/(expense) before change in expected credit losses and other credit impairment charges | 4,620 | 6,109 | 154 | (76) | 10,807 |
| – external | 3,784 | 6,250 | 396 | 377 | 10,807 |
| – inter-segment | 836 | (141) | (242) | (453) | — |
| – of which: net interest income | 3,996 | 3,883 | (2) | (90) | 7,787 |
| – of which: gain on the acquisition of SVB UK | — | 1,307 | — | — | 1,307 |
| Change in expected credit losses and other credit impairment charges | (18) | (403) | — | — | (421) |
| Net operating income/(expense) | 4,602 | 5,706 | 154 | (76) | 10,386 |
| Total operating expenses | (2,383) | (1,434) | (38) | 148 | (3,707) |
| Operating profit | 2,219 | 4,272 | 116 | 72 | 6,679 |
| Profit before tax | 2,219 | 4,272 | 116 | 72 | 6,679 |
| | % | % | % | % | % |
| Cost efficiency ratio | 51.6 | 23.5 | 24.7 | 194.7 | 34.3 |
| Balance sheet information | £m | £m | £m | £m | £m |
| Loans and advances to customers (net) | 143,588 | 68,651 | — | (352) | 211,887 |
| Customer accounts | 170,684 | 98,093 | — | (432) | 268,345 |

## Wealth and Personal Banking

Profit before tax of £2,059m in 2024 was £160m, or 7%, lower than 2023, primarily due to higher operating expenses.

Revenue increased by £21m, or 0.5%, to £4,641m, mainly due to repricing of the structural hedge, partly offset by loan margin compression particularly in mortgage lending, as well as an increase in the mix towards interest-bearing deposit accounts.

ECL has remained low in 2024, increased by £28m, to £46m, reflecting resilience in our unsecured lending portfolio with low loan loss experienced as well as releases of provisions for forward economic outlook.

Operating expenses increased by £153m, or 6%, to £2,536m, driven by the new BoE levy, increased technology investment costs and wage inflation, partly offset by actions taken to continuously optimise operational costs and a favourable net movement in conduct and legal provisions.

## Commercial Banking

Profit before tax of £3,418m in 2024 was £453m, or 15% higher than 2023, excluding the £1,307m non-recurring gain on the acquisition of SVB UK in 2023, due to higher revenue and lower ECL, partly offset by higher operating expenses.

Excluding the gain of £1,307m recognised on the acquisition of SVB UK in 2023, revenue increased by £397m to £5,199m, or 8%, driven by wider deposit margin resulting from structural hedge benefits and an extra quarter of revenue from HINV, partly offset by the impact of an increase in the mix towards interest-bearing deposit accounts.

ECL decreased by £134m, or 33%, from a £403m charge in 2023 to a £269m charge in 2024, driven by lower stage 3 charges.

Operating expenses increased by £78m or 5%, driven by the new BoE levy, wage inflation, increased technology investment costs, and an extra quarter of HINV costs.

## Global Banking and Markets

GBM in HSBC UK reflects the transacting of foreign currency exchange for WPB and CMB customers.

The majority of the foreign exchange revenue is transferred to WPB and CMB, with an element retained in GBM.

Profit before tax of £114m was £2m, or 2%, lower than 2023.

## Corporate Centre

Profit before tax of £56m in 2024 was £16m, or 22%, lower than 2023, due to higher operating expenses mainly reflecting lower accounting benefit from our defined benefit pension surplus, partly offset by lower funding costs on fixed assets.

## Dividends

The consolidated reported profit for the year attributable to the shareholders of the bank was £4,134m.

Total interim dividends of £3,336m were paid on the ordinary share capital during the year, of which £1,412m relates to the previous year and £1,924m relates to the current year. £228m of dividends were paid in respect of our additional tier 1 capital instruments.

On 11 February 2025, the Directors resolved to pay an interim dividend of £595m to the ordinary shareholder of the parent company in respect of the financial year ending 31 December 2024.

Further information regarding dividends is given in Note 6.

Summary consolidated balance sheet as at

| | **31 Dec 2024** | 31 Dec 2023 |
|---|---|---|
| | **£m** | £m |
| **Total assets** | **340,877** | 332,876 |
| – cash and balances at central banks | **52,276** | 65,719 |
| – financial assets mandatory measured at fair value through profit and loss | **174** | 135 |
| – derivatives | **298** | 178 |
| – loans and advances to banks | **7,263** | 7,980 |
| – loans and advances to customers | **217,604** | 211,887 |
| – reverse repurchase agreements – non-trading | **11,776** | 7,686 |
| – financial investments | **37,801** | 26,315 |
| – other assets | **13,685** | 12,976 |
| **Total liabilities** | **314,906** | 306,806 |
| – deposits by banks | **11,144** | 10,843 |
| – customer accounts | **280,366** | 268,345 |
| – repurchase agreements – non-trading | **420** | 4,652 |
| – derivatives | **107** | 108 |
| – debt securities in issue | **2,044** | 1,988 |
| – other liabilities | **20,825** | 20,870 |
| **Total equity** | **25,971** | 26,070 |
| – total shareholders' equity[1] | **25,911** | 26,010 |
| – non-controlling interests | **60** | 60 |

1 Total shareholders' equity includes share capital, share premium, additional Tier 1 instruments and reserves.

The group maintained a strong and liquid balance sheet. The ratio of customer advances to customer accounts decreased to 78% compared to 79% at 31 December 2023.

## Impact of Climate Risk

We have assessed the impact of climate risk on our balance sheet and have concluded that there is no material impact on the financial statements for the year ended 31 December 2024. We considered the impact on a number of areas of our balance sheet including ECL, classification and measurement of financial instruments, goodwill and other intangible assets, our owned properties, our pension plan, as well as our going concern.

For further detail on how climate risk may impact HSBC UK in the medium to long-term see page 69 and on credit risk see page 27. Additionally, for further disclosure on how management has considered the impact of climate-related risks on its financial position and performance see critical estimates and judgements, detailed in Note 1 'Basis of preparation and significant accounting policies' from page 94.

## Assets

Cash and balances at central banks decreased by £13.4bn due to continued growth in customer lending of £5.7bn, an increase in reverse repurchase agreements of £4.1bn, a decrease in repurchase agreements of £4.2bn and increase in financial investments held of £11.5bn, offset by a £12.0bn increase in customer accounts.

Loans and advances to customers increased by £5.7bn, primarily from growth in retail mortgage lending of £3.7bn and £1.4bn growth in CMB.

Reverse repurchase agreements increased by £4.1bn due to diversification of the liquid asset buffer and cash deployment at favourable market levels.

Financial investments increased by £11.5bn mainly due to Treasury management activities.

## Liabilities

Customer accounts increased by £12.0bn, across both WPB (£8.2bn) and CMB (£3.8bn) reflecting an increase in retail deposits of £4.9bn primarily driven by continued growth in Term and Instant Access Savings. The increase in customer accounts included the benefit of an increase in short term Markets Treasury deposits from HSBC Holdings plc of £6.8bn allocated to WPB (£3.3bn) and CMB (£3.5bn) in line with our reportable segments policy.

Repurchase agreements have decreased by £4.2bn due to lower market demand.

## Equity

Total shareholders' equity, including non-controlling interests, decreased by £0.1bn or 0.4% compared with 31 December 2023.

This reflected the effects of profits generated of £4.1bn, offset by dividend payments of £3.6bn and decrease in Other comprehensive income of £0.6bn from cashflow hedge reserves and remeasurement of the defined benefit asset.

# Risk overview

Our customers and our organisation have continued to be impacted by uncertain economic conditions in the UK in 2024. Economic growth has been muted and despite some reduction in interest rates, these remain relatively high compared to the recent past. The rate of inflation has fallen, but consumers continue to face elevated prices and mortgage payments. We continue to monitor the impacts on our customers from the current economic environment and policy changes introduced by the UK government including those delivered in the last budget. Our personal and business lending portfolios remain resilient but we continue to see some signs of stress. We remain focussed on seeking to ensure that we support all our customers, through offering solutions appropriately tailored to customers' vulnerability, including those adopted through the UK government's Mortgage Charter. The economic outlook is detailed in the 'Description of consensus economic scenarios' from page 34.

We have integrated HSBC Innovation Bank Limited (previously Silicon Valley Bank UK) into the group following its purchase in March 2023. This has included the roll-out of HSBC UK risk tools, systems and practices and aligning the management of HINV risks to be consistent with our risk and compliance frameworks and policies.

Our balance sheet and liquidity have remained strong which has helped us to support our customers. Pressure on business operations and customer support has continued to be high as our people, processes and systems have responded to meet the current economic challenges. We remain focussed on our operational resilience and we seek to improve the performance of our customer support systems and processes.

We continue to monitor, and seek to manage, the potential implications of all the above developments on our customers and our business and have maintained our focus on improving the quality and timeliness of the data we use to inform management decisions and for regulatory reporting. We have employed an active but prudent approach in managing our risk appetite, and have aimed to ensure regular communication with our Board and key stakeholders.

# Risk environment

We continuously identify, assess, manage and monitor risks. This process, which is informed by our risk factors and the results of the stress testing programme, gives rise to the classification of certain financial and non-financial risks. Changes in the assessment of these risks may result in adjustments to our business strategy and, potentially, our risk appetite.

Our material banking risks include credit risk, treasury risk, market risk, climate risk, resilience risk, regulatory compliance risk, financial crime and fraud risk and model risk. See pages 25 to 71.

In addition to these banking risks, we have identified top and emerging risks with the potential to have a material impact on our financial results or reputation and the sustainability of our long-term business model. See pages 18 to 23.

The exposure to our risks and risk management of these are explained in more detail in the Risk section of the Report of the Directors on pages 16 to 77.

Our suite of top and emerging risks is subject to regular review by senior governance forums. We continue to monitor closely the identified risks with an aim to ensure management actions are in place, as required.

| Risk | | Description |
|---|---|---|
| **Externally driven** | | |
| Geopolitical and macroeconomic risk | ▲ | Our operations and portfolios are exposed to risks arising from political instability, civil unrest and military conflict, which could lead to disruption of our operations, physical risk to our staff and/or physical damage to our assets. We are also subject to cyclical and idiosyncratic macroeconomic risks which can be significant. Following the change in the UK Government, we are monitoring impacts from its legislative programme as this develops. Amongst the key risks to the economic outlook is the prospective recalibration of economic and trade policies following elections in the US and other major countries in 2024. This could prove disruptive to the global economy with potential impacts on our business and our customers. |
| Credit risk | ▶ | We remain focused on assessing and managing the impacts of the evolving geopolitical and macroeconomic environment, with our early warning indicators helping us to identify segments that we believe may be at risk. This includes our mortgage customers who may be impacted by increased monthly payments with interest rates relatively high compared to recent times and vulnerable customers across our other lending portfolios. We seek to ensure adequate capacity within our Financial Support Team and that support tools are in place to assist impacted customers. We remain focused on managing credit facilities appropriately, and adjusting policy and strategy as needed, including regular refreshes of our affordability models. Industry sector analysis is regularly conducted with particular focus on the hospitality, travel, retail, consumer, and healthcare sectors as well as Commercial Real Estate (Offices) and parts of UK utilities and Manufacturing. We continue to undertake in-depth monitoring activities across portfolios and customers to help identify areas of stress or portfolio degradation. |
| Evolving regulatory environment risk | ▲ | The regulatory risk environment is increasingly complex, with ongoing focus by regulators to improve outcomes for banks' consumers, particularly vulnerable ones, as well as the orderly and transparent operation of financial markets. These, alongside other regulatory priorities including operational resilience (which includes cyber risk), model risk and financial crime risk management practices, are resulting in high volumes of often complex change requirements across HSBC UK in the short to medium term. We continue to monitor regulatory and wider industry developments closely, engaging with regulators as appropriate. |
| Financial crime and fraud risk | ▲ | We are exposed to financial crime risk from our customers, staff and third-parties engaging in criminal activity. The financial crime risk environment is heightened due to increasingly complex geopolitical challenges, the macroeconomic outlook, the elevated and dynamic nature of sanctions and export control compliance, evolving financial crime regulations, rapid technological developments, and an increasing number of national data privacy requirements. Fraud, which is becoming ever-more sophisticated, continues to be an area of focus for HSBC UK. Regulatory scrutiny has increased around scams and the impacts from recent changes to the Payment Systems Regulator's ('PSR') reimbursement requirements. As a result, we will continue to face the possibility of regulatory enforcement and reputational risk. |
| Cyber threat and unauthorised access to systems | ▲ | HSBC UK faces a risk of service disruption or loss of data resulting from technology failures or malicious activities by internal or external cyber threats. We continue to monitor for any changes to the technology and threat landscape, including those arising from ongoing geopolitical and macroeconomic events and any impact this may have on our third-party providers. HSBC UK operates a continuous improvement programme to help protect and support the resilience and stability of our technology operations to enable us to counter a fast-evolving and heightened cyber threat environment. |
| Environmental, social and governance risk | ▲ | We are subject to ESG risks, including climate change, wider environmental, social and reputational risks. These risks are increasing owing to the pace and volume of regulatory developments, and greater frequency of severe weather events, alongside stakeholders placing more emphasis on actions and decisions in respect of ESG matters. Failure to meet these evolving expectations, along with the transitional and physical risks, would increase financial and non-financial risks for HSBC UK including reputational, legal and regulatory compliance risks. |
| Digital currencies and disintermediation risk | ▶ | Focus remains on digital currencies from governments, regulatory bodies and central banks. There has been increased focus on Central Bank Digital Currency ('CBDC') and tokenisation with the BoE and His Majesty's Treasury ('HMT') consulting on the subject in the UK and more design studies and pilots taking place in locations such as Hong Kong, India, Singapore, the Eurozone and Japan. All economies developing a CBDC are doing so by using the existing banking intermediary networks and infrastructure. The cryptocurrency and stablecoin ecosystem has seen exceedingly volatile prices with some risk of contagion spreading beyond these markets. We currently do not expect cryptocurrencies or stablecoins to move from being a speculative asset to being replacements for existing fiat currencies. We continue to monitor the evolution of digital assets and decentralised finance across channels including consultations, pilots and issuances of digital currencies to assess the implications for our products and services, and our customers. |
| **Internally driven** | | |
| People risk | ▲ | HSBC UK is exposed to risks associated with employee retention and talent availability, changing skills requirements of our workforce and compliance with employment laws and regulations. Whilst HSBC UK attrition remains stable, a failure to manage these risks may impact the delivery of our strategic objectives or lead to regulatory sanctions or legal claims, with the risk heightened during the current period of fundamental organisational change. |

| Risk | | Description |
|---|---|---|
| **Internally driven (continued)** | | |
| IT systems infrastructure and service resilience | ▶ | The HSBC UK IT estate is complex and strengthening operational resilience remains a strategic imperative. Modernising and simplifying our technology architecture is key to strengthening the resiliency of our environment and remains a core focus. Multi-year investment is planned to modernise and uplift our service resiliency standards. We are committed to delivering better customer outcomes by reducing disruptions for our customers. To achieve this, we are reducing reliance on non-strategic platforms, reducing complexity for colleagues and customers and supporting stronger and safer change deployment controls. We are also increasing our use of cloud infrastructure to benefit from its resiliency and support scalability when customer demand rises. We are also reducing the lead time to deploy code changes and increasing the use of iterative releases to support improved testing of the delivery of new products and features to help meet customer needs quicker. |
| Model risk | ▲ | Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications. The model landscape continues to be impacted by regulatory requirements driving material changes to the way model risk is managed across the banking industry in the UK. The PRA's Supervisory Statement (SS 1/23) 'Model Risk Management Principles for Banks' effective since May 2024 requires increased oversight and controls on the management of model risks. New technologies, including AI and generative AI, are driving a need for enhanced model risk controls. |
| Conduct and customer detriment | ▶ | The first phase of the UK Consumer Duty, which was delivered in 2023, is helping ensure we act to deliver good outcomes for our customers across all impacted products and services. The second phase was implemented in July 2024 where the focus was on delivering good customer outcomes within our closed book of products. We remain focussed on the continuous improvement of our management information capabilities. |
| Data risk | ▶ | We use data to serve our customers and run our operations, often in real-time within digital experiences and processes. Data risk remains a key area of focus for HSBC UK and is receiving significant management attention as we continue to enhance our control environment. If our data is not accurate and timely, our ability to serve customers, operate with resilience or meet regulatory requirements could be impacted. We seek to ensure that non-public data is kept confidential, and that we comply with the growing number of regulations that govern data privacy and cross-border movement of data. |
| Third-party risk | ▶ | We procure goods and services from a range of third party providers. Due to the ongoing changes in the macroeconomic and geopolitical climate, the risk of service disruption in our supply chain is heightened. Any deficiency in the management of risks associated with our third parties could affect our ability to support our customers and meet regulatory expectations. We will continue to strengthen our third party risk management controls, oversight, policies and processes including identifying reliance on our third parties' own provider supply chains, particularly for key activities that could affect our operational resilience. |
| Execution risk | ▶ | Delivering change effectively is critical to achieving our strategy and enables us to meet rapidly evolving customer and stakeholder needs. We seek to deliver complex change in line with established risk management processes, prioritising sustainable outcomes and understanding the associated risks. We focus on meeting industry and regulatory expectations and fulfilling our obligations to customers and clients. |

▲ Risk has heightened during 2024

▶ Risk remains at the same level as 2023

The Strategic report comprising pages 2 to 15 was approved by the Board on 18 February 2025 and is signed on its behalf by:

**John David Stuart**

Director
HSBC UK Bank plc
Registered number: 9928412

# Risk review



## How we manage our risks

### Our risk appetite

We recognise the importance of a strong risk culture, which refers to our shared attitudes, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board.

We seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. Our strategic priorities are underpinned by our endeavours to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. We are committed to managing and mitigating climate-related risks, both physical and transitional, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

#### Enterprise-wide application

Our risk appetite is expressed holistically through various risk management mechanisms and activities, in both quantitative and qualitative terms. The Board reviews and approves the group's risk appetite regularly to help ensure it remains fit for purpose. HSBC UK's risk appetite is considered, developed and enhanced following these principles:

- alignment with our strategy, purpose, values, external risk environment, reputational and customer needs;
- compliance with applicable laws, regulations and regulatory priorities;
- forward looking insights into future risk exposure;
- sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks;
- capacity and capabilities of people to manage the risk landscape;
- functionality, capacity and resilience of available systems to manage the risk landscape;
- effectiveness of the applicable control environment to mitigate risk; and
- internally and externally disclosed commitments.

### Our Risk Management Framework

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. The framework fosters continuous monitoring, promotes risk awareness and encourages a sound operational and strategic decision-making and escalation process. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We actively review and enhance our risk management framework and our approach to managing risk, through our activities with regard to: people and capabilities; governance; reporting and management information; credit risk management models; and data.

The implementation of our business strategy remains a key focus. As we implement change initiatives, we actively manage the execution risks. We also perform periodic risk assessments, including against strategies, to help ensure retention of key personnel for our continued safe operation.

Our Risk Committee focuses on risk governance and seeks to provide a forward-looking view of risks and their mitigation. The Risk Committee is a committee of the Board and has responsibility for oversight and advice to the Board on, amongst other things, the bank’s risk appetite, tolerance and strategy, systems of risk management, internal control and compliance. Additionally, members of the Risk Committee attend meetings of the Chairman’s Nominations and Remuneration Committee at which the alignment of the reward structures to risk appetite is considered.

In carrying out its responsibilities, the Risk Committee is closely supported by the CRO, the CFO, the Head of Internal Audit and the Head of Compliance, together with other business functions on risks within their respective areas of responsibility.

Responsibility for managing both financial and non-financial risk, including regulatory compliance and financial crime related risks, lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain oversight of our risks through our various specialist risk stewards and the collective accountability held by the Chief Risk Officer ('CRO').

We have continued to strengthen the control environment and our approach to the management of risk, as set out in our risk management framework. Our ongoing focus is on helping to ensure more effective oversight and better end-to-end identification and management of financial and non-financial risks. This is overseen by the Enterprise Risk Management function, headed by the HSBC UK Head of Enterprise Risk Management.

We recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while seeking to ensure that we are able to support our strategy and provide sustainable growth. This is supported through our three lines of defence model as described below.

#### Three lines of defence

All our people are responsible for identifying and managing risk within the scope of their roles. To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and helping to ensure that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice and guidance and assurance of the first line of defence to help ensure it is managing risk effectively.

– The third line of defence is our Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively.

## Risk appetite

We formally articulate our risk appetite through our Risk Appetite Statement ('RAS'), which is approved by the Board on the recommendation of the Risk Committee. Setting out our risk appetite helps ensure that we agree a suitable level of risk for our strategy. In this way, risk appetite informs our financial planning process and helps senior management to allocate capital to business activities, services and products.

The RAS consists of qualitative statements and quantitative metrics, covering financial and non-financial risks. It is fundamental to the development of business line strategies, strategic and business planning and senior management balanced scorecards. Performance against the RAS is reported to the Risk Management Meeting ('RMM') to support targeted insight and discussion on breaches of risk appetite and any associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and informs risk-adjusted remuneration to drive a strong risk culture.

## Stress testing

Stress testing is an important tool for banks and regulators to assess vulnerabilities in individual banks and/or the financial banking sector under hypothetical adverse scenarios. The results of stress testing are used to assess banks' resilience and capital adequacy to a range of adverse shocks.

A number of internal macroeconomic and event-driven stress scenarios specific to the UK or the global economy were considered and reported to senior management during the course of the year. Multi-scenario capabilities have been successfully demonstrated with two scenarios executed in parallel. These stress scenarios included the impact of a lower interest rate environment and a higher interest rate environment. HSBC UK also conducted a Reverse Stress Test. This exercise required HSBC UK to assess scenarios and circumstances that would render its business model non-viable, thereby identifying potential business vulnerabilities.

Furthermore, HSBC UK is subject to regulatory stress testing. The assessment by the regulators is on both a quantitative and qualitative basis, the latter focusing on our portfolio quality, data provision, stress testing capability and capital planning processes. There was no BoE Annual Cyclical Stress exercise in 2024. The PRA ran a desk-based stress test exercise, where the PRA ran its own models and use of in-house expertise to test the resilience of participating banks. The 2024 internal stress tests confirm that HSBC UK is well positioned to withstand potential shocks.

## Risk management

We recognise that the primary role of risk management is to protect our customers, business, employees, shareholders and the communities that we serve, while aiming to ensure that we are able to support our strategy and provide sustainable growth. This is supported through our three lines of defence model.

We use a comprehensive risk management framework across the organisation and across all risk types, underpinned by the HSBC Group's culture and values. This outlines the key principles, policies and practices that we employ in managing material risks, both financial and non-financial.

The framework fosters continual monitoring, promotes risk awareness and encourages sound operational and strategic decision making. It also helps to ensure a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities.

## Internal control

We have:

– Established policies to help ensure compliance with the PRA Rulebook for Ring-fenced bodies. These include an over-arching Ring-fenced bodies policy, together with additional policies covering Exceptions, Arm's Length Transactions and Distributions.

– Implemented the HSBC Group Risk Management Framework and other HSBC Group policies and procedures. These are designed to: safeguard assets against unauthorised use or disposal; maintain proper accounting records; and help to ensure the reliability and usefulness of financial information.

Policies and procedures are designed to provide effective internal control within the group but can only provide reasonable assurance against mitigating material misstatement, errors, losses or fraud.

The key risk management and internal control procedures, that have been in place throughout the year ended 31 December 2024 and up to the date of approval of this report, include:

– Global Principles: The HSBC Group's Global Principles set an overarching standard for all other policies and procedures and are fundamental to the Group's risk management structure. They inform and connect our purpose, values, strategy and risk management principles, guiding us to do the right thing and treat our customers and employees fairly at all times.

– The HSBC Group Risk Management Framework: see 'Our Risk Management Framework' section of the report on page 16.

– Delegations of authority: Subject to certain matters reserved to the Board, the Board has delegated powers and authority to manage the day-to-day running of the Company within certain limits to the CEO and its Executive Committee. The CEO is permitted to sub-delegate such powers and authorities, within those limits, as he sees fit.

– Strategic plans: The annual financial resource plan is informed by detailed analysis of risk appetite, stress-testing exercises, and the types and quantum of risk that the Company is prepared to take, within the parameters set by the HSBC Group, to execute its strategy. It also sets out the key business initiatives and the financial impact of those initiatives in order to determine the most appropriate use of the Company's resources. This is approved by the Company's Board and progress against the Financial Resource Plan is reported regularly to the Executive Committee, Board and the HSBC Group Executive Committee.

The key risk management and internal control procedures over financial reporting include the following:

– Financial reporting: The financial reporting process for preparing the consolidated Annual Report and Accounts 2024 is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements. These are issued by the HSBC Group to HSBC UK and are cascaded to all reporting entities within the group in advance of each reporting period end. The submission of the Company's financial information is subject to certification by the CFO, and analytical review procedures undertaken at reporting entity and group levels.

– Disclosure Committee: The Disclosure Committee comprises certain executive management and supports the discharge of the Company's obligations in relation to its debt securities traded on the London Stock Exchange. In particular, it considers whether a new event or circumstance constitutes inside information, reviews all material disclosures and considers and advises upon any requests and reports to be made by any subsidiaries or affiliates of its group with regard to inside information.

– Audit Committee: The Board's Audit Committee reviews the internal financial controls and reporting disclosures for any material errors, misstatements or omissions with regard to the integrity of financial statements and disclosures and provides oversight over internal financial controls. It is supported by structures and processes within the group's Finance and Risk functions that provide analytical review of financial reporting and the maintenance of accounting records, and seek the committee's support regarding material accounting policies and practices before they are agreed with the External Auditors.

- Risk Committee: The Board's Risk Committee provides oversight over internal controls systems and the status of principal risks, and considers whether the mitigating actions put in place are appropriate. In addition, when unexpected losses have arisen or incidents have occurred which indicate gaps in the control framework or in adherence to policies, the committee reviews reports prepared by management that analyse the cause of the issue, any lessons learned and actions proposed to address the issue.

During the year, the Risk Committee and Audit Committee kept under review the effectiveness of this system of internal controls and reported regularly to the Board. In carrying out their respective reviews, the committees receive regular reports from: business and operational risk assessments; heads of key risk functions covering all internal controls, both financial and non-financial; internal audit reports; external audit reports; prudential reviews; and regulatory reports. More details on the committee's responsibilities and activities during the year are set out in the 'Board Committees' section on page 74.

## What are our principal risks and uncertainties

### Key developments in 2024

In 2024, we have continued to manage risks related to macroeconomic and geopolitical uncertainties and develop risk management capabilities through the continued enhancement of our risk management framework. We also retained our focus on risk transformation and financial crime and continued to assess our operational resilience capability whilst prioritising the most significant enterprise risks. We made progress with and continue to develop capabilities to address key risks. More specifically, we sought to enhance our risk management in the following areas:

- We are advancing on our multi-year comprehensive initiative aimed at strengthening our regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls.
- We have improved the quality of our strategic change investment processes and associated control monitoring and are transitioning to a more agile approach to the delivery of complex transformation portfolios and initiatives.
- We continue to maintain a focus on our technology and cybersecurity controls to improve the resilience and security of our technology services in response to the heightened external threat environment.
- We continue to enhance our model risk framework in response to changes in regulation and external factors. AI and machine learning models remain a key focus. Progress has been made in enhancing governance activity in this area with particular focus on generative AI due to the pace of technological change and regulatory and wider interest in adoption and usage.
- We enhanced our processes, framework and controls to improve the oversight of our material third parties. We have strengthened our due diligence and monitoring capabilities, with respect to the financial stability of our third parties to better manage our supply chain and operational resilience. We will continue to assess and manage our operational resilience.
- HSBC UK published its first entity-level Task Force on Climate-Related Financial Disclosures report (https://www.hsbc.co.uk/sustainability/) relating to discretionary investment products, in June 2024. This external disclosure is required because the discretionary portfolio management business is treated as an asset management business by the FCA.
- Through our climate risk programme, we made progress on embedding climate considerations throughout the organisation, including through risk policy updates. We also developed risk metrics to monitor and manage exposures, and develop portfolio steering capabilities and revenue assessments. Aligned with the HSBC Group, we further enhanced our Internal Climate Scenario Analysis that focused on generating more granular insights which we are using improve our understanding of our risk exposures for use in risk management, business decision making, and to meet ongoing regulatory expectations.
- We reviewed the effectiveness of our financial crime risk management framework, which includes continued consideration of the complex and dynamic nature of sanctions compliance and export control compliance, and we continued to make progress with several key financial crime risk management initiatives.
- We continued to embed our regulatory management systems focusing on forward-looking analysis, regulatory mapping, and regulatory content for our inventory.
- We continued to enhance our frameworks, policies and governance processes to embed regulatory requirements.

## Top and emerging risks

We use a top and emerging risks process to provide a forward-looking view of issues with the potential to threaten the execution of our strategy or operations over the medium to long term.

We proactively assess the internal and external risk environment, as well as review the themes identified across HSBC UK businesses for any risks that may require escalation. We update our top and emerging risks as necessary.

Our current top and emerging risks are as follows.

### Externally driven

#### Geopolitical and macroeconomic risk

Geopolitical and macroeconomic risk continues to be high. The UK election delivered a decisive result with a subsequent change in government. This has reduced uncertainty but also led to a shift in domestic and foreign policy priorities. Many other countries saw electoral change or political instability in 2024. The US in particular is expected to bring about changes to economic and foreign policy that will have broad economic and geopolitical implications.

Key economic and financial risks are monitored closely. The UK economy continues to face a number of challenges. Inflation has fallen across the year but still remains elevated and economic growth remains at a low level. Interest rates have started to fall but many customers continue to face an increase in their mortgage payments. Consumer confidence remains relatively subdued.

The outlook for 2025 remains uncertain as the new US administration intends to enact a significant change in economic and foreign policies that could have an uncertain impact on global growth, inflation and interest rates. In particular, the prospect of additional US tariffs and retaliatory actions on trade has started to weigh on economic growth forecasts and has raised future inflation expectations. Consequently, markets now expect that major central banks, including the Bank of England, will adopt a more cautious approach to lowering policy interest rates during the course of 2025.

Challenges remain in the UK-EU relationship following the UK's withdrawal from the EU. Over the medium to long term, the UK's withdrawal from the EU may continue to adversely impact the terms of EU market access for our clients. This could increase the country's economic risk, which in turn could impact our profitability. We are monitoring the situation closely, including the potential impacts on our customers.

The Israel-Hamas conflict may resurge. While a 42-day ceasefire was agreed in January 2025, the durability of the ceasefire remains uncertain. The regional economic impact was relatively limited throughout 2024. The US and UK imposed additional sanctions on

Iran in 2024 in response to Iran's activities and the increase in tensions between Israel and Iran. Further sanctions may be imposed and could increase the risk within our operations.

While supply chains have largely adapted to the Russia-Ukraine war and the conflict in the Middle East, the disruption of key logistical routes, particularly through the Red Sea continues to impact global supply cost. Escalation or resurgence of, or other changes in, the Russia-Ukraine war and the conflict in the Middle East and ongoing geopolitical instability could have implications for HSBC UK and its customers by impacting economic activity for a prolonged period which, in turn, could have a material adverse effect on the HSBC UK's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings. HSBC UK actively monitors and responds to financial sanctions and trade restrictions that have been adopted in response to the conflicts.

The sanctions and trade restrictions imposed by the US, the UK, and the EU, as well as and other countries, as a result of the Russia-Ukraine war, remain complex, far-reaching and evolving. The US has expanded the reach of its secondary sanctions regime, which includes broad discretion to impose severe sanctions on non-US banks that are knowingly or even unknowingly engaged in certain transactions or services directly or indirectly involving Russia's military-industrial base, including certain third-party activities that are difficult to detect or beyond our control. The imposition of such sanctions against any non-US HSBC entity could result in significant adverse commercial, operational and reputational consequences for HSBC.

In response to such sanctions and trade restrictions, as well as asset flight, Russia has implemented certain countermeasures, including the expropriation of foreign assets.

The relationships between China and several other countries, including the US and the UK, remain complex. To date, the US, the UK, the EU and other countries have imposed various sanctions and trade restrictions on Chinese persons and companies, and there is a continued risk of additional sanctions and trade restrictions or tariffs being imposed by the US and other governments in relation to, among other things, alleged human rights abuses, or advances in certain sensitive technologies. China, in turn, imposed a number of its own sanctions and trade restrictions and these or other retaliatory measures may continue to be imposed against certain countries, businesses and individuals. Strategic competition with China has the potential to impact the HSBC Group operations and global supply chains remain vulnerable to a deterioration in the relationship between China and other countries.

Existing and additional sanctions, trade restrictions, counter-sanctions and other retaliatory measures relating to the foregoing or other geopolitical tensions may adversely affect the group, its customers and the market in which the group operates by creating regulatory, reputational and market risks, including additional inflationary pressures, and a more complex operating environment

Provisioning of assets against credit loss is conducted under the IFRS 9 'Financial Instruments' calculations of ECL, which use forward-looking scenarios that incorporate the economic and financial risks detailed above.

Key considerations in our calculation of ECLs included inflationary pressures, interest rates, changes to economic and financial policies. In the fourth quarter of 2024, the Central scenario, which has the highest probability weighting in our IFRS 9 'Financial Instruments' calculations of ECL, incorporated more recent views on the economic landscape, including evolving views on the effects of higher global tariff rates through an adjustment to our macroeconomic scenarios. Outer scenarios have incorporated more adverse tariff escalations and the escalation of key geopolitical risks.

There remains uncertainty regarding the adequacy of our models to reflect credit losses under emerging risks which are not captured under the historical loss experience of our models, or to adequately distinguish risks for specific sectors or portfolios.

The above risks could also have an impact on our customers and we continue to closely monitor the potential impacts and offer support to our customers in line with regulatory, government and wider stakeholder expectations.

For further details of our Central and other scenarios, see 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 33.

**Mitigating actions**

- We closely monitor geopolitical and economic developments and undertake scenario analysis and stress testing where appropriate. This helps us to take actions to manage our portfolios where necessary, including seeking to ensure enhanced monitoring and amending our risk appetite and/or reducing limits and exposures.
- We continue to monitor the UK's relationship with the EU, and assess the potential impact on our people, operations and portfolios.
- We apply management judgemental adjustments where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.
- We continue to monitor our risk profile closely in the context of the current geopolitical and macroeconomic situation, and given the significant uncertainties, additional mitigating actions may be required.
- We continue to seek to manage sanctions and trade restrictions through the use of reasonably-designed policies, procedures and controls, which are subject to ongoing testing and enhancements

## Credit risk

Our Credit risk profile across our Retail and Corporate portfolios remains stable in a challenging external environment. Ongoing market conditions will also be shaped by government supported growth plans for sectors such as net zero and UK infrastructure and from government policy impacts on the level of UK unemployment. The prospect of additional tariffs imposed by the US and the potential resurgence of the conflict in the Middle East could drive a number of second order risks including those linked to inflation, energy pricing and increased supply chain costs. Industry sectors including manufacturing, real estate and retail could be negatively impacted as a result, with potentially adverse effects on our Wholesale credit portfolio.

**Mitigating actions**

- Regular reviews of our customer affordability and credit scoring models are undertaken to reflect changes in the macroeconomic environment. We also continue to contact customers to advise of the support tools that we offer to provide help with cost of living challenges.
- Mortgage stress rates continue to be refreshed to reflect the latest interest rate expectations.
- Reviews of key credit portfolios are undertaken regularly to help ensure that individual customer or portfolio risks are understood so that our risk appetite through the economic cycle remains appropriate.
- We continue to closely monitor high risk wholesale industry sectors closely through quarterly industry risk appetite reviews and in 2024 we also undertook specific reviews of portfolios showing vulnerability such as Agriculture, Automotives, Commercial Real Estate, Construction and Building Materials, Leveraged Finance, Retail and the UK utility sector including water companies.
- Detailed performance monitoring is reviewed on a monthly basis, which includes early warning indicators and a view of concentration risks. Portfolio limits and exposures have been re-assessed and reductions implemented where appropriate.
- We stress test portfolios of particular concern to help identify sensitivity to loss under a range of scenarios, with management actions being taken to help rebalance exposures and manage risk appetite where necessary.

## Evolving regulatory environment risk

Financial service providers continue to face stringent regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business, financial crime, internal control frameworks, the use of models, the integrity of financial services delivery and financial and operational resilience.

We aim to keep abreast of the emerging Regulatory Compliance and conduct risk agenda. Current focus areas include, but are not limited to: Operational Resilience, ESG developments; helping ensure good customer outcomes and addressing customer vulnerabilities; enhancements to regulatory reporting controls; employee compliance including the use of e-communication channels; and developments in legal principles or conduct requirements (including in relation to the risk of such developments in one part of the financial industry being construed as applying to other parts of the financial industry, which could lead to legal or regulatory proceedings).

We monitor regulatory developments closely and engage with regulators as appropriate, to help ensure new regulatory requirements are implemented effectively and in a timely way.

The competitive landscape in which HSBC UK operates may be impacted by future regulatory changes and government intervention including changes driven by the UK government adopting an agenda particularly focused on economic growth.

**Mitigating actions**

– We continue to engage in the development of new and amended regulations in the UK to help ensure that the implications have been considered by regulators and the wider industry.
– We continue to work with the UK authorities and regulatory bodies to discuss any impacts on customers and markets.
– We monitor regulatory developments with an aim to ensure that we fully understand the evolving regulatory landscape and we seek to implement any applicable change in a timely way.

## Financial crime and fraud risk

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime. In 2024, these risks continued to be exacerbated by rising geopolitical tensions and ongoing macroeconomic factors. These challenges require managing conflicting laws and approaches to legal and regulatory regimes, and implementing increasingly complex and less predictable sanctions and trade restrictions.

Amid cost of living pressures, we continue to face increasing regulatory expectations with respect to managing internal and external fraud and protecting customers. In addition, the accessibility and increasing sophistication of generative AI brings financial crime risks. While there is potential for the technology to support financial crime detection, there is also a risk that criminals use generative AI to perpetrate fraud, particularly scams.

The digitisation of financial services continues to have an impact on the payments ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments around digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets.

The intersection of ESG issues and financial crime continues to pose risks related to potential 'greenwashing', human rights issues and environmental crime, as our organisation, customers and suppliers transition to net zero.

We also continue to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks effectively.

**Mitigating actions**

– We continue to develop our fraud controls and invest in capabilities to fight financial crime through the application of advanced analytics and AI, while monitoring technological developments and engaging with third parties.
– We continue to assess the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, in an effort to maintain appropriate financial crime controls.
– We regularly review our existing policies and control framework so that developments relating to ESG are considered and the related financial crime risks are mitigated to the extent possible.
– We engage with regulators, policymakers and relevant international bodies, seeking to address data privacy challenges through international standards, guidance and legislation.

## Cyber threat and unauthorised access to systems

We operate in an extensively interconnected and complex technology landscape and an increasingly hostile cyber threat environment. These threats include potential unauthorised access to systems, including access to customer data, whether ours or that of our third-party suppliers, and attacks on our systems or those of our third-party suppliers. These threats require ongoing investment in business and technical controls to remain resilient in order to support customers, our colleagues and financial markets globally

**Mitigating actions**

– Our cyber intelligence and threat analysis team continually evaluate threat levels for the most prevalent cyber-attack types and their potential outcomes. To help protect HSBC UK and our customers and to help ensure the safe expansion of our business we continue to find ways to strengthen our controls to help reduce the likelihood and impact of attacks including advanced malware, data leakage, exposure through third parties and security vulnerabilities.
– We continue to seek to enhance our cybersecurity capabilities, including Cloud security, identity and access management, metrics and data analytics, and third-party security reviews and to invest in mitigating the potential threats of emerging technologies.
– We report and review cyber risk and control effectiveness metrics and data analytics at executive and non-executive Board level. We also report this management information across our businesses and functions to help ensure appropriate visibility and governance of the risk and its mitigating actions.
– We actively participate in and support industry body forums and working groups to share knowledge of tactics employed by cybercrime groups and to collaborate in defending against, detecting and preventing cyber-attacks on financial organisations.
– An important part of our defence strategy is seeking to ensure that our colleagues are aware of cybersecurity issues and know how to identify and report incidents.
– We respond to attempts to compromise our cybersecurity in accordance with our cybersecurity framework. To date, no attacks have had a material impact on our business or operations.

## Environmental, social and governance risk

We are subject to financial and non-financial risks associated with ESG-related matters. Our current areas of focus include climate risk alongside wider environmental, social, and reputational risks. These can impact us both directly and indirectly through our business activities and relationships.

Focus on climate-related risk continued to increase during 2024, owing to the pace and volume of policy and regulatory changes on climate risk management, stress testing and scenario analysis and disclosures. If we fail to meet evolving regulatory expectations or requirements on climate risk management, this could have regulatory compliance and reputational impacts.

Climate change can have an impact across HSBC UK's risk taxonomy through both transition risk, arising from the move to a net-zero economy, such as through policy, regulatory and technological changes, and physical risk impacts due to the increasing severity and/

or frequency of severe weather or other climatic events, such as rising sea levels and flooding, and chronic shifts in weather patterns, which could affect our ability to conduct our day-to-day operations.

Our assessment of climate risks covers three distinct time periods, comprising: short term, which is up to 2026; medium term, which is between 2027 and 2035; and long term, which is between 2036 and 2050.

We may face credit losses if climate-related regulatory, legislative or technological developments impact customers' business models or if extreme weather events disrupt or interrupt customers' operations, resulting in financial difficulty for customers and/or stranded assets, and impacting their ability to repay their debts. Our customers may find that their business models fail to align to a net zero economy or face disruption to their operations or deterioration to their assets as a result of extreme weather.

There is also the risk that retail customers in our UK mortgage book could face increasing physical climate risks such as flooding.

HSBC UK has climate risks relating to our employees' UK pension fund, and where we act as portfolio investment manager, or as funds distributor, for our UK retail customers.

We may also be exposed to liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/wealth or due to reputational concerns relating to the progress we make towards the HSBC Group's climate-related ambitions and targets.

Operational risk may increase if extreme weather events impact critical operations and premises.

Reputational, legal and regulatory compliance risks may increase if we fail to:

- make sufficient progress towards the HSBC Group's ESG-related ambitions and target;
- set adequate plans to execute those plans or adapt those plans to changes in the external environment;
- manage the risks associated both with meeting and not meeting the HSBC Group's ESG-related ambitions and targets; and
- meet evolving regulatory expectations and requirements on the management of ESG risks.

We may be exposed to additional risks if we knowingly or unknowingly make inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to our stakeholders.

Conduct risk may arise in association with the increasing demand for "green" or "sustainable" products where there are differing and developing standards or taxonomies.

We may also be exposed to reputational risks arising from how we decide to support our customers in high-emitting sectors in their transition to net zero, the preferences of different stakeholders in relation to our approach to the transition to net zero, and if we make insufficient progress in achieving the HSBC Group's climate-related ambitions and targets.

Financial reporting risk may increase in relation to our climate-related and ESG disclosures, as any data, methodologies, scenarios and reporting standards we have used may evolve over time in line with market practice, regulation or developments in science. We may also face the risk of making reporting errors due to issues relating to the availability, accuracy and verifiability of data, and system, process and control challenges. Any changes and reporting errors could result in revisions to our internal frameworks and reported data and could mean that reported figures are not reconcilable or comparable year on year. We may also have to re-evaluate our progress towards our climate-related targets in the future.

We may also be exposed to the risk of greenwashing if we are perceived to mislead stakeholders regarding the HSBC Group climate strategy, the climate impact of a product or service, or regarding the commitments of our customers, including within our marketing material and campaigns.

We may face model risk, as the uncertain and evolving impacts of climate change and data and methodology limitations present challenges to creating reliable and accurate model outputs, particularly with regards to measuring emissions and measuring the impacts of climate change.

Climate and ESG-related litigation and regulatory enforcement risks may arise, either directly if stakeholders think that we are not adequately managing climate and broader ESG-related risks, or indirectly, if our clients and customers are themselves the subject of litigation, potentially resulting in the revaluation of their assets.

We may also be exposed to nature-related risks beyond climate change. These risks arise when the provision of ecosystem services, such as water availability, air quality and soil quality, is compromised by human activity. Nature risk can manifest through macroeconomic, market, credit, reputational, legal and regulatory risks, for both HSBC UK and its customers.

Regulation and disclosure requirements in relation to human rights, and human trafficking, are expected to increase. Businesses are expected to be transparent about their efforts to identify and respond to the risk of negative human rights impacts arising from their business activities and relationships.

**Mitigating actions**

- Our HSBC UK climate risk programme continues to support the development of our climate risk management capabilities across four key pillars: governance and risk appetite, risk management, stress testing and scenario analysis, and disclosures.
- We continue to enhance our approach and mitigation of the risk of greenwashing.
- The Trustee of our employee pension plan, the HSBC UK section of the HSBC Bank (UK) Pension Scheme, manages climate risk in line with its fiduciary duties and local regulatory requirements, with global corporate policy encouraging consideration of ESG risks when selecting investments. The Taskforce on Climate-Related Financial Disclosures ('TCFD') report issued by the Pension Scheme is available using this link: https://futurefocus.staff.hsbc.co.uk/-/media/project/futurefocus/information-centre/deferred-dc/other-information/tcfd-report-2023.pdf.
- In 2024, the HSBC Group focused on its approach to human rights risk management relating to the services the HSBC Group provides to business customers and the goods and services the HSBC Group purchases from third parties.
- The scope of HSBC Group's financial reporting risk framework includes oversight over the accuracy and completeness of climate-related and ESG disclosures. Our risk appetite statement aligns to the HSBC Group risk appetite statement and references our ESG and climate-related disclosures. Our internal controls incorporate requirements for addressing the risk of misstatement in climate-related and broader ESG disclosures. To support this, we have developed a framework to guide control implementation over climate-related and broader ESG disclosures, which includes areas such as process and data governance, and risk assessment.
- We are increasingly using the outputs from our scenario analysis and stress testing to identify areas where physical risks could be of concern in order to take any steps necessary to adapt.
- We continue to engage with our customers, investors and regulators proactively on the management of climate-related and broader ESG risks. The HSBC Group also engages with initiatives, including the Climate Financial Risk Forum, Task Force on Climate-related Financial Disclosures ('TCFD') and CDP (formerly the Carbon Disclosure Project) to help drive best practice for climate risk management.
- In June 2024 HSBC UK's TCFD report was published. This relates to the discretionary portfolio management business. https://www.hsbc.co.uk/sustainability/

## Digital currencies and disintermediation risk

Digital currencies have, over the past few years, been a growing part of the financial landscape bringing with them increased competition and financial risk. Digital currencies, such as CBDCs, cryptocurrencies and stable coins are the focus of disintermediation risk as such currencies could result in a more direct linkage between currency providers and payment participants. The pilots and issued CBDCs are coalescing around leveraging existing banking networks and infrastructure to support any CBDC initiative.

Crypto and other digital currencies facilitate peer-to-peer transactions across borders as a common means of exchange which could reduce the requirement for foreign exchange services and payment intermediaries. The cryptocurrency markets remains subject to very volatile prices with a risk of contagion to industry participants.

**Mitigating actions**

- We will continue to monitor progress and industry developments in digital assets and other aspects of decentralised finance to assess potential opportunities, risks and impacts on business models, markets and customers.
- We will continue to take a holistic view of the potential impacts across product and client segments, including important considerations such as vulnerability and financial inclusion.

# Internally driven

## People risk

Our success in delivering our strategic priorities and good customer outcomes, whilst proactively managing the regulatory and legislative environment, depends on the attraction, development and retention of our leadership and high-performing employees. A highly competitive UK employment market will continue to test our ability to attract and retain talent, however we continue our focus on driving a high-performance culture and employee engagement.

Failure to manage people risks could also result in poor customer outcomes or a breach of employment laws and regulations, which may lead to regulatory sanctions or legal claims.

**Mitigating actions**

- We seek to promote an inclusive workforce and provide support across a wide range of health and well-being activities. We continue to build our speak-up culture through active campaigns.
- We monitor hiring activities and levels of employee attrition, with each business and function putting in place plans to help ensure effective workforce forecasting to meet business demands.
- We monitor people risks that could arise due to organisational restructuring, including as a result of the reorganisation of HSBC Group businesses announced in October 2024, to help ensure that we enable our leaders to manage the transition effectively and sensitively manage redundancies and support impacted employees. We encourage our people leaders to focus on talent retention at all levels, with an empathetic mindset and approach, whilst aiming to ensure that the whole proposition of working at HSBC UK is well understood. Our Future Skills curriculum provides skills that are aimed at helping employees and HSBC UK to be successful in the future.
- We develop succession plans for key management roles, with oversight from the HSBC UK Executive Committee.
- Political legislative and regulatory challenges are closely monitored to minimise any impact on our employment practices or the attraction and retention of talent and key performers.

## IT systems infrastructure and operational resilience

HSBC UK's IT systems infrastructure and operational resilience architecture has grown and become more complex which increases risks when making IT changes. More focus on change management is required to minimise disruption and to help ensure continued support and service for all our customers. HSBC UK has a number of action plans in progress to modernise and simplify our system infrastructure which is expected to help improve service resilience, make the bank more efficient to operate as we seek to ensure that new products and features aimed at meeting customer needs becomes easier and safer to deliver.

**Mitigating actions**

- HSBC UK is implementing a multi-year IT strategy overseen by the HSBC UK Board that will define the requirements of a simpler, modern, and more resilient architecture. As with any strategic transformation programme we will continually review and manage the risks associated with this implementation.
- Change to be delivered through 2025 will include enhancing resilience capabilities and controls across HSBC UK's important business services identified by our Operational Resilience programme; improving our monitoring and alerting processes; modernising our core banking capabilities; eliminating non-strategic applications; continuing migration to cloud; simplifying the data landscape and enhancing our cyber controls.

## Model risk

Model risk arises whenever business decision making includes reliance on models. We use models in both financial and non-financial contexts, as well as in a range of business applications such as customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting.

Model risk remains a key area of focus given the regulatory scrutiny in this area, including the PRA's supervisory statement SS1/23, coming into effect, This provided detailed principles-based guidance on how model risk should be managed in the UK.

We continued to prioritise the redevelopment of Internal ratings-based ('IRB') models as part of the IRB repair and Basel 3.1 programmes. We have a key focus on enhancing the quality of data used as model inputs and help to ensure that models adhere to both the letter and spirit of the regulation.

Focus remains on AI and machine learning models where the pace of technological advances, including the development of generative AI, is driving significant changes in modelling techniques.

**Mitigating actions**

- We are investing in the redevelopment of our IRB models used in our wholesale business to enhance our modelling capability and to help ensure we fully meet regulatory expectations for the adoption of Basel 3.1 requirements.
- We updated our Model Risk Management ('MRM') framework to meet the requirements of the PRA's SS1/23, and a programme of work is in progress to implement these changes across our model landscape.
- We completed a full review of Model Tiering across HSBC UK assessing the materiality and complexity of all models and assigning a new tier which will drive the level of oversight required at model level.
- We introduced a new framework to govern and manage the risks associated with Deterministic Quantitative Methods. These are complex and material calculators, which although not technically models, still present some similar risks.
- Model Risk Governance committees at HSBC UK, business and functional levels continue to provide oversight of model risk.
- Model Risk Management works closely with businesses with an aim to ensure that IRB/IFRS9/stress testing models in development meet risk management, pricing, capital management, and credit risk measurement needs.
- Additional assurance work is performed by the model risk governance teams, which act as second lines of defence. The teams test whether controls implemented by model users comply with model risk policy and if model risk procedures are adequate.
- Models using AI or generative AI techniques are validated and monitored to help ensure that risks that are determined by the algorithms have adequate oversight and review. A framework to manage the range of risks that are generated by these advanced techniques and to recognise the multidisciplinary nature of these risks has been developed.

## Conduct and customer detriment

Failure to manage our Conduct agenda appropriately may lead to poor customer outcomes and potential reputational or compliance risks for HSBC UK. Our conduct management approach focuses on the impact we have for our customers and the financial markets in which we operate. Good customer outcomes are at the heart of how we operate, and we aim to act responsibly and with integrity. As part of this we have carried out a number of activities during 2024.

**Mitigating actions**

- We understood and serviced our customer's ongoing needs and continued to champion a strong conduct and customer-focused culture.
- We demonstrated this through delivery of the second phase of the Consumer Duty in July 2024 which is closely linked to our conduct agenda seeking to ensure customer outcomes within our closed book of products.
- We continued to promote the visibility and conduct management of our vulnerable customer base.
- We continued with the integration of climate risk into HSBC UK's wider risk management approach, recognising the importance of strengthened controls and oversight to seek to deliver the right conduct outcomes for our customers and for us.
- We continued to embed conduct within our business line processes and through our Non- Financial and Financial Risk Steward activities.
- We continued to deliver annual mandatory training to reinforce the importance of conduct for all colleagues and delivered bespoke and focussed conduct training and guidance to all of our risk steward colleagues.

## Data risk

We use multiple systems and growing quantities of data to support our customers. Risk arises if data is incorrect, unavailable, misused, or unprotected. We need to meet external regulatory obligations and laws that cover data, such as the Basel Committee on Banking Supervision's 239 guidelines and the General Data Protection Regulation.

**Mitigating actions**

- Through our global data management framework, we monitor the quality, availability and security of data that supports our customers and internal processes. We work towards resolving any identified data issues in a timely manner.
- We continue to make improvements to our data policies and to our control framework (which includes trusted sources, data flows and data quality) in order to help enhance the end-to-end management of data risk.
- We seek to protect customer data through our data privacy framework, which establishes practices, design principles and guidelines that enable us to demonstrate compliance with data privacy laws and regulations.
- We continue to modernise our data and analytics infrastructure through investments in Cloud technology, data visualisation, machine learning and AI.
- We continue to educate our employees on data risk and data management. We have delivered regular mandatory training on how to protect and manage data appropriately.

## Third-party risk

We use third party providers for a range of goods and services and it is critical that we seek to ensure we have appropriate risk management policies, processes and practices over the selection, governance, and oversight of our third party providers and their supply chain, particularly for key activities that could affect our operational resilience. Any deficiency in the management of risks associated with our third parties could affect our ability to support our customers and meet regulatory expectations.

**Mitigating actions**

- We continue to monitor the effectiveness of the controls operated by our third party providers and request control effectiveness reporting where required.
- We continue to enhance the management of our intra-group arrangements using the same control standards as we have for external third-party arrangements.
- We have strengthened our due diligence and monitoring capabilities in respect of the financial stability of our third parties.
- We continue to build an understanding of the emissions footprint of third party providers in our supply chain.
- We have strengthened the way third party risk is overseen and managed across all non-financial risks, and have sought to enhance our processes, framework and reporting capabilities to help improve the visibility of risk and enable more robust management of our material providers.
- We are continuing to implement any changes required by our regulators for the management of third party risk.

## Execution risk

Continued investment in strategic change is required to support the delivery of our strategic priorities and regulatory commitments. We expect to increase investment funding in 2025 as we continue to focus on our aim to ensure that change is executed safely and efficiently across HSBC UK. This focus includes having the organisational capacity to sustainably deliver change, and availability of the resources required to meet HSBC's stated commitments. In addition, there is a risk that due to the complexity of structural changes throughout the HSBC Group, arising as part of the reorganisation of our businesses announced in October 2024, some of the goals of such ongoing reorganisation will not be achieved, impacting HSBC UK.

**Mitigating actions**

- Change execution risk is part of our risk taxonomy and control library so that it is defined, assessed, managed, reported and overseen in the same way as our other material risks. 2024 has seen improvement in the control monitoring and oversight of our change portfolio.
- The HSBC UK Transformation Oversight Committee oversees and monitors the prioritisation and management of execution risk for all material initiatives in HSBC UK.
- Executive sponsorship of ongoing change initiatives will be realigned to the new HSBC Group organisational structure to help ensure smooth transition and minimise any potential impact to HSBC UK of the quality of deliverables and delivery timelines.

# Our material banking risks

The material risk types associated with our banking operations are described in the following tables.

## Description of risks – banking operations

| Risks | Arising from | Measurement, monitoring and management of risk |
|---|---|---|
| Credit risk (see page 25) | | |
| The risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. | Credit risk arises principally from direct lending, trade finance and leasing business, but also from certain other products such as guarantees and derivatives. | Credit risk is:<br>– measured as the amount that could be lost if a customer or counterparty fails to make repayments;<br>– monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and<br>– managed through a risk control framework that outlines clear and consistent policies, principles and guidance for risk managers; and by setting limits and appetite across our businesses, portfolios or sectors. |
| Treasury risk (see page 62) | | |
| The risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of adverse impact on earnings or capital due to structural foreign exchange exposures and changes in market interest rates, and including the financial risks arising from historic and current provision of pensions and other post-employment benefits to staff and their dependants. | Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment. | Treasury risk is:<br>– measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources;<br>– monitored and projected through against appetites and by using an operating plan based on strategic objectives together with stress and scenario testing; and<br>– managed through control of resources in conjunction with risk profiles, strategic objectives and cashflows. |
| Market risk (see page 68) | | |
| The risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices and credit spreads. | Exposure to market risk is separated into two portfolios:<br>– trading portfolios; and<br>– non-trading portfolios. | Market risk is:<br>– measured using sensitivities, value at risk('VaR') and stress testing, giving a detailed picture of potential gains and losses for a range of market movements and scenarios, as well as tail risks over specified time horizons;<br>– monitored using VaR sensitivities, stress testing and other measures, including the sensitivity of net interest income and the sensitivity of structural foreign exchange; and<br>– managed using risk limits approved by the RMM. |
| Climate risk (see page 69) | | |
| Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. | Climate risk can materialise through:<br>– physical risk, which arises from the increased frequency and severity of weather events;<br>– transition risk, which arises from the process of moving to a low-carbon economy;<br>– the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to stakeholders; and<br>– net zero alignment risk may arise, impacting HSBC UK, where HSBC Group fails to meet its net zero-related ambitions and targets or to meet external expectations related to net zero. | Climate risk is:<br>– measured using risk appetite metrics and scenario testing;<br>– monitored using risk appetite statements; and<br>– managed through adherence to risk appetite thresholds and through specific policies, enhancements to processes and the development of risk management tools including the development of product market controls to manage the risk of greenwashing. |

Description of risks – banking operations (continued)

| Risks | Arising from | Measurement, monitoring and management of risk |
|---|---|---|
| Resilience risk (see page 69) | | |
| Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates, and counterparties. | Resilience risk arises from failures or inadequacies in processes, people, systems or external events. | Resilience risk is:<br>– measured using a range of metrics and against our agreed risk appetite;<br>– monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and<br>– managed by continuous monitoring and thematic reviews. |
| Regulatory compliance risk (see page 70) | | |
| Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards. | Regulatory Compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business. | Regulatory compliance risk is:<br>– measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement and assessment of our regulatory compliance teams;<br>– monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and<br>– managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required. |
| Financial crime risk (see page 71) | | |
| Financial crime risk is the risk that HSBC UK's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. | Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees. | Financial crime risk is:<br>– measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our compliance teams;<br>– monitored against the first line of defence risk and control assessments, and the results of the monitoring and control assurance activities of the second line of defence functions; and<br>– managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required. |
| Model risk (see page 71) | | |
| Model risk is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. | Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models. | Model risk is:<br>– measured by reference to model performance tracking and the output of detailed technical reviews, with key metrics including model review statuses and findings;<br>– monitored against model risk appetite statements, and insight from the independent validations completed by the model risk management team, and;<br>– managed by creating and communicating appropriate policies, procedures and guidance, training employees in their application, and supervising their adoption to help ensure operational effectiveness. |

# Credit risk

## Overview

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

## Credit risk management

(Audited)

The principal objectives of our credit risk management are:

- to maintain across HSBC UK a strong culture of responsible lending and a robust risk policy and control framework;
- to both partner and challenge the businesses in defining, implementing, and continually re-evaluating our risk appetite under actual and scenario conditions; and
- to help ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Within HSBC UK, the Credit Risk function is headed by the CRO who reports to the Chief Executive Officer, with a functional reporting line to the Group CRO.

Its responsibilities are:

- to formulate credit policy. Compliance, subject to approved dispensations, is mandatory for all operating companies which must develop local credit policies consistent with group policies that closely reflect HSBC Group policy;
- to guide operating companies on the group's appetite for credit risk exposure to specified market sectors, activities and banking products and controlling exposures to certain higher-risk sectors;
- to undertake an independent review and objective assessment of risk. Credit risk assesses all credit facilities and exposures over designated limits, prior to the facilities being committed to customers or transactions being undertaken;
- to monitor the performance and management of portfolios across the group;
- to control exposure to sovereign entities, banks and other financial institutions, as well as debt securities which are not held solely for the purpose of trading;

- to set policy on large credit exposures, to help ensure that concentrations of exposure by counterparty, sector or geography do not become excessive in relation to the group's capital base, and remain within internal and regulatory limits;
- to maintain and develop the risk rating framework, systems and models through appropriate governance; and
- to report on retail portfolio performance, high risk portfolios, risk concentrations, large impaired accounts, impairment allowances and stress testing results and recommendations to HSBC UK's RMM, Risk Committee and Board; and to act on behalf of the group as the primary interface, for credit-related issues, with the BoE, the PRA, the FCA, rating agencies, analysts and counterparts in major banks and non-bank financial institutions.

**Concentration of credit risk exposure**

(Audited)

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

A number of controls and measures are used to minimise undue concentration of exposure in the portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

**Credit quality of financial instruments**

(Audited)

Our risk rating system facilitates the internal ratings-based approach under the Basel framework adopted by the group to support the calculation of our minimum credit regulatory capital requirement.

The five credit quality classifications each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending businesses, and the external ratings attributed by external agencies to debt securities.

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications based upon the mapping of related Customer risk rating ('CRR') to external credit rating.

**Wholesale lending**

The CRR 10-grade scale summarises a more granular underlying 23-grade scale of obligor PD. All corporate customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel approach adopted for the exposure. Each CRR band is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time.

**Retail lending**

Retail lending credit quality is based on a 12-month point-in-time probability-weighted PD.

Credit quality classification

| | Debt securities and other bills | Wholesale lending | | Retail lending | |
|---|---|---|---|---|---|
| | External credit rating | Internal credit rating | 12-month Basel probability of default % | Internal credit rating | 12-month probability-weighted PD % |
| **Quality classification[1,2]** | | | | | |
| Strong | **A- and above** | **CRR1 to CRR2** | **0.000–0.169** | **Band 1 and 2** | **0.000–0.500** |
| Good | **BBB+ to BBB-** | **CRR3** | **0.170–0.740** | **Band 3** | **0.501–1.500** |
| Satisfactory | **BB+ to B and unrated** | **CRR4 to CRR5** | **0.741–4.914** | **Band 4 and 5** | **1.501–20.000** |
| Sub-standard | **B- to C** | **CRR6 to CRR8** | **4.915–99.999** | **Band 6** | **20.001–99.999** |
| Credit-impaired | **Default** | **CRR9 to CRR10** | **100.000** | **Band 7** | **100.000** |

1 Customer risk rating.
2 12-month point-in-time probability-weighted probability of default ('PD').

## Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.
- 'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit-impaired' exposures have been assessed as described on Note 1.2(g) on the financial statements.

**Forborne loans and advances**

(Audited)

Forbearance measures consist of concessions towards an obligor that is experiencing or about to experience difficulties in meeting its financial commitments.

We continue to classify loans as forborne when we modify the contractual payment terms due to having significant concerns about the borrowers' ability to meet contractual payments when they were due. Our definition of forborne captures non-payment-related concessions, such as covenant waivers.

For details of our policy on forbearance, see Note 1.2(g) on the financial statements.

**Credit quality of forborne loans**

For wholesale lending, where payment related forbearance measures result in a diminished financial obligation or if there are other indicators of impairment, the loan will be classified as credit impaired if it is not already so classified. All facilities with a customer, including loans that have not been modified, are considered credit impaired following the identification of a payment related forborne loan. For retail lending, where a material concession has been granted, the loan will be classified as credit impaired if it is not already so classified. In isolation, non-payment related forbearance measures may not result in the loan being classified as credit impaired unless combined with other indicators of credit impairment. These are classed as performing forborne loans for both wholesale and retail lending.

Wholesale and retail lending forborne loans are classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Any forborne loans not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies. For wholesale and retail lending, any forbearance measures granted on loan already classed as forborne results in customer being classed as credit impaired.

#### Forborne loans and recognition of expected credit losses

(Audited)

Forborne loans expected credit loss assessments reflect the higher rates of losses typically experienced with these types of loans such that they are in stage 2 and stage 3. The higher rates are more pronounced in unsecured retail lending requiring further segmentation. For wholesale lending, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

## Refinance risk

### Personal lending

Interest only mortgages incorporate bullet payments at the point of final maturity. To reduce refinance risk, an initial on-boarding assessment of customers' affordability is made on a capital repayment basis and every customer has a credible defined repayment strategy. Additionally, the customer is contacted during the mortgage term to check the status of the repayment strategy. In situations where it is identified that a borrower is expected not to be able to repay a bullet/balloon payment, the customer is offered advice and options to help them repay the loan in accordance with their loan agreement. In the event that this is not possible, the customer will either default on the repayment or it is likely that the bank may need to apply forbearance to the loan. In either circumstance this gives rise to a credit impaired event.

### Wholesale lending

Many types of wholesale lending incorporate bullet/balloon payments at the point of final maturity; often, the intention or assumption is that the borrower will take out a new loan to settle the existing debt. Where this is true the term refinance risk refers generally to the possibility that, at the point that such a repayment is due, a borrower cannot refinance by borrowing to repay existing debt. In situations where it is identified that a borrower is expected not to be able either to repay a bullet/balloon payment or to be capable of refinancing their existing debt on commercial terms then the customer will either default on the repayment or it is likely that the bank may need to refinance the loan on terms it would not normally offer in the ordinary course of business. In either circumstance this gives rise to a loss event and the loan will be considered credit impaired.

#### Impairment assessment

(Audited)

For details of our impairment policies on loans and advances and financial investments, see Note 1.2(g) on the Financial Statements.

#### Write-off of loans and advances

(Audited)

For details of our policy on the write-off of loans and advances, see Note 1.2(g) on the Financial Statements.

##### Personal lending

Property collateral for residential mortgages is repossessed and sold on behalf of the borrower only when the debt recovery procedures have been unsuccessful. Any portion of the balance not covered following the realisation of security is written-off. Unsecured personal lending products are normally written off, when there is no realistic prospect of full recovery.

##### Wholesale lending

Wholesale loans and advances are written off where normal collection procedures have been unsuccessful to the extent that there appears no realistic prospect of repayment. These procedures may include a referral of the business relationship to a debt recovery company. Debt reorganisation will be considered at all times and may involve, in exceptional circumstances and in the absence of any viable alternative, a partial write-off in exchange for a commitment to repay the remaining balance.

In the event of bankruptcy or similar proceedings, write-off for both personal and wholesale lending may occur earlier than at the periods stated above. Collections procedures may continue after write-off.

## Credit risk in 2024

Detailed analysis of ECL can be found on pages 33 to 61.

A summary of our current policies and practices regarding credit risk is set out on pages 25 to 27.

### Climate risk

#### Our climate scenarios

In 2024, we have considered four bespoke scenarios that were designed to articulate our view of the range of potential outcomes for global climate change. In our climate scenario analysis, we consider separately: transition risk arising from the process of moving to a net zero economy, including changes in policy, technology, consumer behaviour and stakeholder perception, which will each impact borrowers' operating income, financing requirements and asset values; and physical risk arising from the increased frequency and severity of weather events, such as hurricanes and floods, or chronic shifts in weather patterns, which will each impact property values, repair costs and lead to business interruptions.

Our scenarios were:

- the Net Zero scenario, which is consistent with the Paris Agreement. This assumes that there will be orderly but considerable climate action, limiting global warming to no more than 1.5°C by 2100, when compared with pre-industrial levels;
- the Current Commitments scenario, which assumes that climate action is limited to current governmental committed policies, including already implemented actions, leading to global temperature rises of 2.4°C by 2100. This slow transition scenario helps us to determine the actions we need to take to reach our net zero ambition while operating in a world that is not net zero;
- the Delayed Transition Risk scenario, which assumes that climate action is delayed until 2030 with a late disorderly transition to net zero but stringent and rapid enough to limit global warming to under 2°C by 2100. This scenario allows us to stress test severe but plausible transition risk impacts;
- the Downside Physical Risk scenario, which assumes climate action is limited to currently implemented governmental policies, leading to extreme global warming with global temperatures increasing by greater than 4°C by 2100. This scenario allows us to assess physical risks associated with climate change.

We consider our Current Commitments scenario as the most likely scenario to transpire over the next five years. Under the Current Commitments scenario, we expect immaterial levels of losses relating to transition risks. However, the rise in global warming will lead to increasing levels of physical risk losses in later years. Based on this scenario the potential impact on expected credit losses is not considered material over the next five years, as the impacts of climate risk will emerge later in the following decades.

# Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The following table provides an overview of the group and bank's credit risk exposure. As the majority of the group's financial instruments are held by the bank, the remaining IFRS 7 credit disclosures are provided on a group only basis.

## Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

(Audited)

| | **At 31 Dec 2024** | | At 31 Dec 2023 | |
|---|---|---|---|---|
| | **Gross carrying/ nominal amount** | **Allowance for ECL[1]** | Gross carrying/ nominal amount | Allowance for ECL[1] |
| **The group** | **£m** | **£m** | £m | £m |
| Loans and advances to customers at amortised cost | **219,092** | **(1,488)** | 213,591 | (1,704) |
| – personal | **147,266** | **(531)** | 143,315 | (703) |
| – corporate and commercial | **63,640** | **(913)** | 62,927 | (949) |
| – non-bank financial institutions | **8,186** | **(44)** | 7,349 | (52) |
| Loans and advances to banks at amortised cost | **7,265** | **(2)** | 7,982 | (2) |
| Other financial assets measured at amortised cost | **83,327** | **(8)** | 87,253 | (10) |
| – cash and balances at central banks | **52,276** | **—** | 65,719 | — |
| – reverse repurchase agreements – non-trading | **11,776** | **—** | 7,686 | — |
| – financial investments | **16,323** | **(1)** | 11,820 | (1) |
| – prepayments, accrued income and other assets[2] | **2,952** | **(7)** | 2,028 | (9) |
| **Total gross carrying amount on-balance sheet** | **309,684** | **(1,498)** | 308,826 | (1,716) |
| Loans and other credit related commitments | **74,475** | **(99)** | 70,381 | (99) |
| – personal | **40,795** | **(7)** | 41,180 | (10) |
| – corporate and commercial | **28,449** | **(90)** | 25,694 | (87) |
| – non-bank financial institutions | **5,231** | **(2)** | 3,507 | (2) |
| Financial guarantees | **1,046** | **(3)** | 1,121 | (2) |
| – personal | **313** | **—** | 312 | — |
| – corporate and commercial | **509** | **(3)** | 526 | (2) |
| – non-bank financial institutions | **224** | **—** | 283 | — |
| **Total nominal amount off-balance sheet[3]** | **75,521** | **(102)** | 71,502 | (101) |
| | **385,205** | **(1,600)** | 380,328 | (1,817) |

| | **Fair value** | **Memorandum allowance for ECL[4]** | Fair value | Memorandum allowance for ECL[4] |
|---|---|---|---|---|
| | **£m** | **£m** | £m | £m |
| Debt instruments measured at 'FVOCI' | **21,478** | **(1)** | 14,495 | (1) |

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the consolidated balance sheet on page 88 includes both financial and non-financial assets. It also includes 'Items in the course of collection from other banks' which was presented separately in 2023.
3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
4 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

### Summary of financial instruments to which the impairment requirements in IFRS 9 are applied (continued)

(Audited)

| | At 31 Dec 2024 | | At 31 Dec 2023 | |
|---|---|---|---|---|
| | Gross carrying/ nominal amount | Allowance for ECL[1] | Gross carrying/ nominal amount | Allowance for ECL[1] |
| **The bank** | £m | £m | £m | £m |
| Loans and advances to customers at amortised cost | 207,469 | (1,282) | 202,507 | (1,493) |
| – personal | 143,434 | (441) | 139,675 | (593) |
| – corporate and commercial | 52,605 | (832) | 52,498 | (858) |
| – non-bank financial institutions | 11,430 | (9) | 10,334 | (42) |
| Loans and advances to banks at amortised cost | 13,072 | (2) | 13,644 | (2) |
| Other financial assets measured at amortised cost | 83,236 | (6) | 86,882 | (10) |
| – cash and balances at central banks | 52,275 | — | 65,719 | — |
| – reverse repurchase agreements – non-trading | 11,776 | — | 7,686 | — |
| – financial investments | 16,119 | (1) | 11,609 | (1) |
| – prepayments, accrued income and other assets[2] | 3,066 | (5) | 1,868 | (9) |
| **Total gross carrying amount on-balance sheet** | 303,777 | (1,290) | 303,033 | (1,505) |
| Loans and other credit related commitments | 57,254 | (94) | 53,388 | (93) |
| – personal | 29,955 | (6) | 30,563 | (9) |
| – corporate and commercial | 24,760 | (87) | 21,739 | (83) |
| – non-bank financial institutions | 2,539 | (1) | 1,086 | (1) |
| Financial guarantees | 1,038 | (3) | 1,121 | (2) |
| – personal | 313 | — | 312 | — |
| – corporate and commercial | 509 | (3) | 526 | (2) |
| – non-bank financial institutions | 216 | — | 283 | — |
| **Total nominal amount off-balance sheet[3]** | 58,292 | (97) | 54,509 | (95) |
| | 362,069 | (1,387) | 357,542 | (1,600) |

| | Fair value | Memorandum allowance for ECL[4] | Fair value | Memorandum allowance for ECL[4] |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Debt instruments measured at 'FVOCI' | 21,478 | (1) | 14,495 | (1) |

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.
2 Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the bank's balance sheet on page 91 includes both financial and non-financial assets. It also includes 'Items in the course of collection from other banks' which was presented separately in 2023.
3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
4 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

The following table provides an overview of the group's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which 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 for which 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 on which a lifetime ECL is recognised.
- Purchased or originated credit impaired ('POCI'): Financial assets that are purchased or originated credit impaired at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2024

(Audited)

| | Gross carrying/nominal amount[1] | | | | Allowance for ECL | | | | ECL coverage % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | % | % | % | % |
| Loans and advances to customers at amortised cost | 180,408 | 35,152 | 3,532 | 219,092 | (275) | (565) | (648) | (1,488) | 0.2 | 1.6 | 18.3 | 0.7 |
| – personal | 121,438 | 24,971 | 857 | 147,266 | (117) | (245) | (169) | (531) | 0.1 | 1.0 | 19.7 | 0.4 |
| – corporate and commercial | 51,144 | 9,858 | 2,638 | 63,640 | (150) | (315) | (448) | (913) | 0.3 | 3.2 | 17.0 | 1.4 |
| – non-bank financial institutions | 7,826 | 323 | 37 | 8,186 | (8) | (5) | (31) | (44) | 0.1 | 1.5 | 83.8 | 0.5 |
| Loans and advances to banks at amortised cost | 7,263 | — | 2 | 7,265 | — | — | (2) | (2) | — | — | 100.0 | — |
| Other financial assets measured at amortised cost | 83,160 | 136 | 31 | 83,327 | (4) | (2) | (2) | (8) | — | 1.5 | 6.5 | — |
| Loan and other credit-related commitments | 70,280 | 3,810 | 385 | 74,475 | (26) | (28) | (45) | (99) | — | 0.7 | 11.7 | 0.1 |
| – personal | 40,412 | 345 | 38 | 40,795 | (5) | — | (2) | (7) | — | — | 5.3 | — |
| – corporate and commercial | 24,866 | 3,249 | 334 | 28,449 | (20) | (28) | (42) | (90) | 0.1 | 0.9 | 12.6 | 0.3 |
| – financial | 5,002 | 216 | 13 | 5,231 | (1) | — | (1) | (2) | — | — | 7.7 | — |
| Financial guarantee and similar contracts | 877 | 161 | 8 | 1,046 | — | — | (3) | (3) | — | — | 37.5 | 0.3 |
| – personal | 306 | 7 | — | 313 | — | — | — | — | — | — | — | — |
| – corporate and commercial | 380 | 121 | 8 | 509 | — | — | (3) | (3) | — | — | 37.5 | 0.6 |
| – financial | 191 | 33 | — | 224 | — | — | — | — | — | — | — | — |
| **31 Dec 2024** | 341,988 | 39,259 | 3,958 | 385,205 | (305) | (595) | (700) | (1,600) | 0.1 | 1.5 | 17.7 | 0.4 |

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from Stage 1 to Stage 2. The following disclosure presents the ageing of Stage 2 financial assets by those less than 30 DPD and greater than 30 DPD and therefore presents those financial assets classified as stage 2 due to ageing (30 DPD) and those identified at an earlier stage (less than 30 DPD).

Stage 2 days past due analysis at 31 December 2024

(Audited)

| | Gross carrying amount | | | | Allowance for ECL | | | | ECL coverage % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] |
| | £m | £m | £m | £m | £m | £m | £m | £m | % | % | % | % |
| Loans and advances to customers at amortised cost: | 35,152 | 34,612 | 363 | 177 | (565) | (509) | (30) | (26) | 1.6 | 1.5 | 8.3 | 14.7 |
| – personal | 24,971 | 24,640 | 214 | 117 | (245) | (201) | (23) | (21) | 1.0 | 0.8 | 10.7 | 17.9 |
| – corporate and commercial | 9,858 | 9,649 | 149 | 60 | (315) | (303) | (7) | (5) | 3.2 | 3.1 | 4.7 | 8.3 |
| – non-bank financial institutions | 323 | 323 | — | — | (5) | (5) | — | — | 1.5 | 1.5 | — | — |
| Other financial assets measured at amortised cost | 136 | 136 | — | — | (2) | (2) | — | — | 1.5 | 1.5 | — | — |

1 DPD amounts presented above are on a contractual basis and include the benefit of any customer relief payment holidays granted.

## Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 December 2023 (continued)

(Audited)

| | Gross carrying/nominal amount[1] | | | | Allowance for ECL | | | | ECL coverage % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | % | % | % | % |
| Loans and advances to customers at amortised cost | 167,396 | 42,286 | 3,909 | 213,591 | (286) | (755) | (663) | (1,704) | 0.2 | 1.8 | 17.0 | 0.8 |
| – personal | 114,765 | 27,595 | 955 | 143,315 | (119) | (384) | (200) | (703) | 0.1 | 1.4 | 20.9 | 0.5 |
| – corporate and commercial | 46,197 | 13,854 | 2,876 | 62,927 | (156) | (365) | (428) | (949) | 0.3 | 2.6 | 14.9 | 1.5 |
| – non-bank financial institutions | 6,434 | 837 | 78 | 7,349 | (11) | (6) | (35) | (52) | 0.2 | 0.7 | 44.9 | 0.7 |
| Loans and advances to banks at amortised cost | 7,980 | — | 2 | 7,982 | — | — | (2) | (2) | — | — | 100.0 | — |
| Other financial assets measured at amortised cost | 87,073 | 154 | 26 | 87,253 | (7) | — | (3) | (10) | — | — | 11.5 | — |
| Loan and other credit-related commitments | 65,257 | 4,794 | 330 | 70,381 | (31) | (25) | (43) | (99) | — | 0.5 | 13.0 | 0.1 |
| – personal | 40,543 | 568 | 69 | 41,180 | (8) | — | (2) | (10) | — | — | 2.9 | — |
| – corporate and commercial | 21,845 | 3,608 | 241 | 25,694 | (22) | (24) | (41) | (87) | 0.1 | 0.7 | 17.0 | 0.3 |
| – financial | 2,869 | 618 | 20 | 3,507 | (1) | (1) | — | (2) | — | 0.2 | — | 0.1 |
| Financial guarantee and similar contracts | 810 | 300 | 11 | 1,121 | — | — | (2) | (2) | — | — | 18.2 | 0.2 |
| – personal | 304 | 8 | — | 312 | — | — | — | — | — | — | — | — |
| – corporate and commercial | 409 | 106 | 11 | 526 | — | — | (2) | (2) | — | — | 18.2 | 0.4 |
| – financial | 97 | 186 | — | 283 | — | — | — | — | — | — | — | — |
| At 31 Dec 2023 | 328,516 | 47,534 | 4,278 | 380,328 | (324) | (780) | (713) | (1,817) | 0.1 | 1.6 | 16.7 | 0.5 |

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

## Stage 2 days past due analysis at 31 December 2023 (continued)

(Audited)

| | Gross carrying amount | | | | Allowance for ECL | | | | ECL coverage % | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] | Stage 2 | of which: Up-to-date | of which: 1 to 29 DPD[1] | of which: 30 and > DPD[1] |
| | £m | £m | £m | £m | £m | £m | £m | £m | % | % | % | % |
| Loans and advances to customers at amortised cost: | 42,286 | 41,584 | 465 | 237 | (755) | (685) | (42) | (28) | 1.8 | 1.6 | 9.0 | 11.8 |
| – personal | 27,595 | 27,299 | 190 | 106 | (384) | (328) | (32) | (24) | 1.4 | 1.2 | 16.8 | 22.6 |
| – corporate and commercial | 13,854 | 13,546 | 206 | 102 | (365) | (351) | (10) | (4) | 2.6 | 2.6 | 4.9 | 3.9 |
| – non-bank financial institutions | 837 | 739 | 69 | 29 | (6) | (6) | — | — | 0.7 | 0.8 | — | — |
| Other financial assets measured at amortised cost | 154 | 152 | 1 | 1 | — | — | — | — | — | — | — | — |

1 DPD amounts presented above are on a contractual basis and include the benefit of any customer relief payment holidays granted.

## Stage 2 decomposition

The following disclosure presents the stage 2 decomposition of gross carrying amount and associated allowances for ECL for loans and advances to customers and banks. It also sets out the reasons that caused the exposures to be classified as stage 2 and therefore presented as a significant increase in credit risk at 31 December 2024.

The quantitative classification shows gross carrying amount and allowances for ECL for which the applicable reporting date probability of default ('PD') measure exceeds defined quantitative thresholds for retail and wholesale exposures.

The qualitative classification primarily accounts for CRR deterioration, watch-and-worry and retail management judgemental adjustments.

A summary of our current policies and practices for the significant increase in credit risk is set out in 'Summary of material policies' on page 95.

Loans and advances to customers and banks[1]

| | At 31 Dec 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans and advances to customers | | | | | | Loans and advances to banks at amortised cost | Total stage 2 |
| | | of which: | | | | | | |
| | Personal | first lien mortgage | credit cards | other personal lending | Corporate and commercial | Non-bank financial institutions | | |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Quantitative | **23,222** | **21,991** | **615** | **616** | **7,320** | **304** | **—** | **30,846** |
| Qualitative | **1,748** | **1,690** | **29** | **29** | **2,479** | **19** | **—** | **4,246** |
| of which: forbearance | **65** | **10** | **28** | **27** | **184** | **3** | **—** | **252** |
| 30 DPD backstop | **1** | **—** | **1** | **—** | **59** | **—** | **—** | **60** |
| **Total gross carrying amount** | **24,971** | **23,681** | **645** | **645** | **9,858** | **323** | **—** | **35,152** |
| Quantitative | **(239)** | **(38)** | **(136)** | **(65)** | **(240)** | **(5)** | **—** | **(484)** |
| Qualitative | **(6)** | **(4)** | **(1)** | **(1)** | **(71)** | **—** | **—** | **(77)** |
| of which: forbearance | **(1)** | **—** | **—** | **(1)** | **(4)** | **—** | **—** | **(5)** |
| 30 DPD backstop | **—** | **—** | **—** | **—** | **(4)** | **—** | **—** | **(4)** |
| **Total allowance for ECL** | **(245)** | **(42)** | **(137)** | **(66)** | **(315)** | **(5)** | **—** | **(565)** |
| **ECL coverage %** | **1.0** | **0.2** | **21.2** | **10.2** | **3.2** | **1.5** | **—** | **1.6** |
| | At 31 Dec 2023 | | | | | | | |
| Quantitative | 22,512 | 21,422 | 494 | 596 | 10,731 | 795 | — | 34,038 |
| Qualitative | 5,081 | 3,923 | 625 | 533 | 3,024 | 13 | — | 8,118 |
| *of which: forbearance* | *49* | 7 | 24 | 18 | *381* | — | — | *430* |
| 30 DPD backstop | 2 | 1 | — | 1 | 99 | 29 | — | 130 |
| Total gross carrying amount | 27,595 | 25,346 | 1,119 | 1,130 | 13,854 | 837 | — | 42,286 |
| Quantitative | (284) | (57) | (126) | (101) | (293) | (6) | — | (583) |
| Qualitative | (100) | (25) | (41) | (34) | (69) | — | — | (169) |
| of which: forbearance | (1) | — | (1) | — | (5) | — | — | (6) |
| 30 DPD backstop | — | — | — | — | (3) | — | — | (3) |
| Total allowance for ECL | (384) | (82) | (167) | (135) | (365) | (6) | — | (755) |
| ECL coverage % | 1.4 | 0.3 | 14.9 | 11.9 | 2.6 | 0.7 | — | 1.8 |

1 Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross carrying amount and ECL have been assigned in order of categories presented.

## Credit exposure

### Maximum exposure to credit risk

(Audited)

'Maximum exposure to credit risk' table
The following table presents our maximum exposure before taking account of any collateral held or other credit enhancements (unless such enhancements meet accounting offsetting requirements). The table excludes financial instruments whose carrying amount best represents the net exposure to credit risk; and it excludes equity securities as they are not subject to credit risk. For the financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount and is net of the allowance for ECL; for financial guarantees and similar contracts granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.
The offset in the table relates to amounts where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes. No offset has been applied to off-balance sheet collateral. In the case of derivatives, the offset column also includes collateral received in cash and other financial assets.

The following table provides information on balance sheet items, offsets, and loan and other credit-related commitments.

The offset on derivatives remains in line with the movements in maximum exposure amounts.

#### Other credit risk mitigants

While not disclosed as an offset in the following 'Maximum exposure to credit risk' table, other arrangements are in place which reduce our maximum exposure to credit risk. These include a charge over collateral on borrowers' specific assets such as residential properties and collateral held in the form of financial instruments that are not held on balance sheet. See Note 22 for further details of collateral in respect of certain loans and advances and derivatives.

#### Maximum exposure to credit risk

| (Audited) | 31 Dec 2024 | | | 31 Dec 2023 | | |
|---|---|---|---|---|---|---|
| | **Maximum exposure** | **Offset** | **Net** | Maximum exposure | Offset | Net |
| **The group** | **£m** | **£m** | **£m** | £m | £m | £m |
| Loans and advances to customers held at amortised cost | **217,604** | **(3,310)** | **214,294** | 211,887 | (2,922) | 208,965 |
| – personal | **146,735** | **—** | **146,735** | 142,612 | — | 142,612 |
| – corporate and commercial | **62,727** | **(3,231)** | **59,496** | 61,978 | (2,886) | 59,092 |
| – non-bank financial institutions | **8,142** | **(79)** | **8,063** | 7,297 | (36) | 7,261 |
| Loans and advances to banks at amortised cost | **7,263** | **—** | **7,263** | 7,980 | — | 7,980 |
| Other financial assets held at amortised cost | **83,458** | **—** | **83,458** | 87,369 | — | 87,369 |
| – cash and balances at central banks | **52,276** | **—** | **52,276** | 65,719 | — | 65,719 |
| – reverse repurchase agreements – non-trading | **11,776** | **—** | **11,776** | 7,686 | — | 7,686 |
| – financial investments | **16,322** | **—** | **16,322** | 11,819 | — | 11,819 |
| – other assets | **3,084** | **—** | **3,084** | 2,145 | — | 2,145 |
| Derivatives | **298** | **(295)** | **3** | 178 | (165) | 13 |
| **Total on-balance sheet exposure to credit risk** | **308,623** | **(3,605)** | **305,018** | 307,414 | (3,087) | 304,327 |
| Total off-balance sheet | **80,900** | **—** | **80,900** | 76,522 | — | 76,522 |
| – financial guarantees and similar contracts | **3,440** | **—** | **3,440** | 3,429 | — | 3,429 |
| – loan and other credit-related commitments | **77,460** | **—** | **77,460** | 73,093 | — | 73,093 |

## Concentration of exposures

(Audited)

The diversification of our lending portfolio and our broad range of businesses and products ensured that we did not overly depend on any one business segment to generate growth in 2024.

### Loans and advances to customers and banks held at amortised cost

The table on page 30 analyses loans and advances by industry sector to show any concentration of credit risk exposures.

### Other financial assets held at amortised cost

#### Financial investments

Our holdings of government and government agency debt securities, corporate debt securities, asset-backed securities and other securities were spread across a range of issuers in 2024 with 94% (2023: 93%) invested in government or government agency debt securities.

# Measurement uncertainty and sensitivity analysis of ECL estimates

(Audited)

The recognition and measurement of ECL involves the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the appropriate economic scenarios and their weightings.

The Central scenario is constructed to reflect the latest macroeconomic expectations. Outer scenarios incorporate the crystallisation of economic and geopolitical risks.

In the fourth quarter of 2024, four economic scenarios were modified to reflect heightened policy uncertainty following the US election. Due to the lagged nature of consensus estimates, a modelled adjustment factor was applied to the standard scenarios, to reflect the consequences of increased global tariffs. The effect was to lower growth, and raise inflation and unemployment expectations.

Management judgemental adjustments are used where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.

At 31 December 2024, there was an overall reduction in management judgemental adjustments compared with 31 December 2023, as modelled outcomes better reflected the key risks at 31 December 2024.

## Methodology

At 31 December 2024, four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates every quarter.

Under the standard methodology, three of the scenarios, the Upside, Central and Downside, are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus estimates are deployed as conditioning variables in a proprietary expansion of the scenario variables.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasters.

The outer scenarios represent the tails of the distribution, which are less likely to occur. The Consensus Upside and Downside scenarios are created with reference to forecast probability distributions that capture forecasters' views of the entire range of economic outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. Reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, Downside 2, is designed to represent management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is constructed to a 5% probability. The Central Scenario is assigned the remaining 75%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

For the fourth quarter of 2024, we assessed that consensus forecasts and distributional estimates did not adequately reflect the consequences of the US election on the global economic outlook. Due to the lag in forecasts, there was increased uncertainty as to how tariffs would be implemented and economic policy would change. As such, scenarios have been constructed using the standard methodology and an adjustment to account for policy changes applied. The adjustment was based on a modelled update to the Central scenario and incorporated a detailed narrative of US economic policy proposals, including specific tariff rates. The modelled results were then layered onto the Central Scenario, which resulted in changes to most variables. Outer scenarios were adjusted in parallel.

The scenario adjustment entailed no change in scenario probability weights, which remained in-line with our Forward Economic Guidance ('FEG') framework. Uncertainty relating to the policy outlook have been addressed in the scenarios directly. Measures of dispersion and uncertainty have remained low but may reflect lags in the consensus economic forecasting process.

Scenarios produced to calculate ECL are aligned to HSBC's top and emerging risks.

**Description of consensus economic scenarios**

The economic assumptions presented in this section have been formed by the HSBC Group with reference to external forecasts and estimates, specifically for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty and variability. Outer scenarios are designed to encompass the potential crystallisation of key macro-financial risks and alternative paths for economic variables.

The Central scenario incorporates potential impacts from anticipated changes to US economic and trade policy, including higher tariffs. The overall effect of the adjustment is to lower GDP and raise inflation and unemployment estimates, relative to the consensus.

Consequently, GDP growth and unemployment forecasts have deteriorated in the fourth quarter of 2024, compared with the fourth quarter of 2023. With regard to monetary policy, the expected path for interest rates is based on market futures. Interest rate expectations have increased relative to the fourth quarter of 2023, with fewer rate cuts forecast.

At the end of 2024, risks to the economic outlook included a number of significant geopolitical issues. Within our Downside scenarios, the economic consequences from the crystallisation of those risks are captured by higher commodity and goods prices, the re-acceleration of inflation, a further rise in interest rates and recession.

The scenarios used to calculate ECL in the Annual Report and Accounts 2024 are described below.

**The consensus Central scenario**

HSBC UK's Central scenario reflects the expectation that UK growth will remain weak, that inflation will be higher than the BoE target rate through 2025 and that unemployment will slowly rise.

In 2025, the expectation of continued subdued GDP growth is primarily driven by weak consumer and business confidence. In the scenario, consumers are assumed to sustain a high savings rate, while business investment and hiring is constrained by high borrowing rates and increased employment costs.

The direct impact of US tariffs on UK growth is assumed to be limited given that UK exports are expected to face only limited increases in their aggregate tariff rate. However, amid a more uncertain policy environment, the global growth backdrop is expected to be weaker amid, reduced global investment and trade growth, in addition to a stronger US dollar.

UK GDP is expected to increase by 1.2% in 2025 in the Central scenario and the average rate of UK GDP growth is 1.5% over the five-year forecast period.

The key features of our Central scenario are:

- GDP growth rates are projected to remain low in 2025 and 2026, as weak consumer and business confidence persists, impeding consumption and investment spending. Higher US tariffs exert limited direct effects on the UK economy, but a more subdued global growth backdrop, lower trade and investment, act as headwinds. Furthermore, elevated interest rates, weak growth and the persistence of inflation are anticipated to continue exerting adverse effects on certain consumer and corporate sectors.
- Unemployment rises moderately as economic activity slows, but is set to remain low by historical standards.
- Higher energy prices and increases in other regulated prices are expected to sustain higher inflation through 2025. Tariffs and sterling depreciation, with respect to the US dollar also contribute to inflation moderately. From 2026 onwards, inflation is in line with the BoE target range.
- House price growth is forecast to remain subdued in 2025, but strengthens from 2026 due to lower interest rates and continued low housing supply.
- Challenging conditions are also forecast to continue in certain segments of the commercial property sector. Structural changes to demand in the office segment in particular have driven lower valuations.
- Policy interest rates are forecast to continue their gradual decline in 2025. In the longer term, they are expected to remain at a higher level than in recent years.
- The Brent crude oil price is forecast to average around $69 per barrel over the projection period.

The Central scenario was first created with forecasts available in late November, and reviewed continually until the end of December 2024.

The following table describes key macroeconomic variables in the consensus Central scenario.

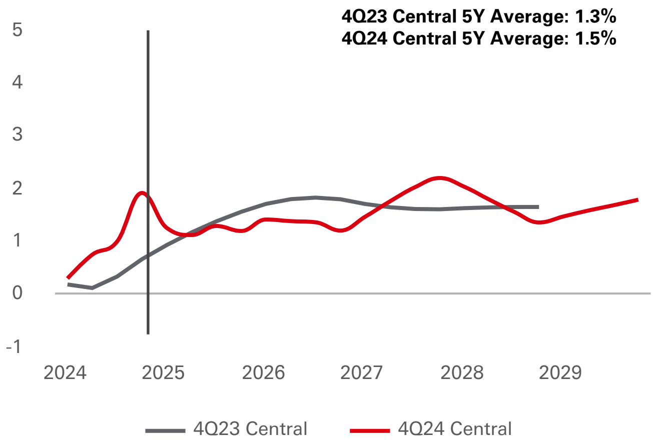
Central scenario

| | **Average 2025–2029[1]** | Average 2024–2028[1] |
|---|---|---|
| | **UK%** | UK% |
| GDP growth rate (annual average growth rate, %) | **1.5** | 1.3 |
| Unemployment rate (%) | **4.5** | 4.4 |
| House price index (annual average growth rate, %) | **3.2** | 0.8 |
| Inflation rate (annual average growth rate, %) | **2.1** | 2.4 |
| Central bank policy rate (annual average, %) | **3.9** | 4.1 |

1 The five-year average is calculated over a projected period of 20 quarters during the five-year period.

The graph compares the Central scenario at year end 2023 with economic expectations at the end of 2024.

## GDP growth: Comparison of Central scenarios




Note: Real GDP shown as year-on-year percentage change.

**The consensus Upside scenario**

Compared with the consensus Central scenario, the consensus Upside scenario features stronger recovery in economic activity in the near term, before converging to long-run trend expectations. It also incorporates a faster fall in the rate of inflation than incorporated in the Central scenario.

The scenario is consistent with a number of key upside risk themes. These include only limited increases in tariffs and a faster fall in the rate of inflation that allows central banks to reduce interest rates more quickly. The Upside scenario would also be consistent with a de-escalation in geopolitical tensions, where the Russia-Ukraine war moves quickly towards a conclusion, tensions in the Middle East subside and US-China relations become more cordial.

The following table describes key macroeconomic variables in the consensus Upside scenario.

Consensus Upside scenario best outcome

| | **2025 Q1-2029 Q4** | 2024 Q1-2028 Q4 |
|---|---|---|
| GDP growth rate (%, start-to-peak)[1] | **11.3 (4Q29)** | 10.8 (4Q28) |
| Unemployment rate (%, min)[2] | **3.5 (3Q26)** | 3.1 (4Q24) |
| House price index (%, start-to-peak)[1] | **24.2 (4Q29)** | 13.0 (4Q28) |
| Inflation rate (YoY % change, min)[3] | **1.4 (1Q26)** | 1.3 (2Q25) |
| Central bank policy rate (%, min)[2] | **3.6 (4Q25)** | 3.7 (3Q28) |

1 Cumulative change to the highest level of the series during the 20-quarter projection.
2 Lowest projected unemployment or policy interest rate in the scenario.
3 Lowest projected Year-on-year(' YoY') percentage change in inflation in the scenario.

**Downside scenarios**

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks. These include a more material escalation of tariff policies and geopolitical tensions, which disrupt key commodity and goods markets, causing inflation and interest rates to rise, and creating a global recession.

The geopolitical environment remains volatile and complex, risks include:

- an increase in protectionist policies, as countries increasingly impose retaliatory tariffs. This lowers investment, complicates international supply chains, and impedes trade flows;
- broader and more prolonged conflicts in the Middle East and between Russia and Ukraine, which further disrupts energy, fertiliser and food supplies; and
- continued differences between the US and other countries with China, which could affect sentiment and restrict global goods trade and supply chains for critical technologies.

High inflation and higher interest rates also remain key risks. Should tariffs increase significantly and geopolitical tensions escalate, energy and food prices could rise and increase pressure on household budgets and firms' costs.

A wage-price spiral triggered by higher inflation and labour supply shortages could put sustained pressure on household real incomes and corporate margins. In turn, it raises the risk of a more forceful policy response from the BoE, leading to significantly higher default and ultimately, a deep economic recession.

**The consensus Downside scenario**

In the consensus Downside scenario, economic activity is considerably weaker compared with the Central scenario. In this scenario, GDP declines, unemployment rates rise and asset prices fall. The scenario features an increase in tariffs over and above those assumed in the Central scenario and escalation of geopolitical tensions, which causes a surge in inflation as supply chain constraints intensify and energy prices rise. The scenario also features a temporary increase in interest rates above the Central scenario, before the effects of weaker demand begin to dominate and commodity prices and inflation fall.

The following table describes key macroeconomic variables in the Consensus Downside scenario.

Consensus Downside scenario worst outcome

| | 2025 Q1-2029 Q4 | 2024 Q1-2028 Q4 |
|---|---|---|
| GDP growth rate (%, start-to-trough)[1] | **(1.0) (4Q26)** | (1.0) (2Q25) |
| Unemployment rate (%, max)[2] | **6.1 (4Q25)** | 6.4 (1Q25) |
| House price index (%, start-to-trough)[1] | **(4.5) (1Q26)** | (12.0) (2Q25) |
| Inflation rate (YoY % change, max)[3] | **3.4 (4Q25)** | 4.1 (1Q24) |
| Central bank policy rate (%, max)[2] | **5.0 (1Q25)** | 5.7 (1Q24) |

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario.
3 The highest projected YoY percentage change in inflation in the scenario.

**Downside 2 scenario**
The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the crystallisation of a number of risks simultaneously, including significant increases in tariffs globally, and further escalation of geopolitical crises, which creates severe supply disruptions to goods and energy markets. In the scenario, as inflation surges and central banks tighten monetary policy further, consumer and business confidence falls. However, this impulse is expected to prove short lived as recession takes hold, causing a fall in demand, leading commodity prices to correct sharply and global price inflation to fall.

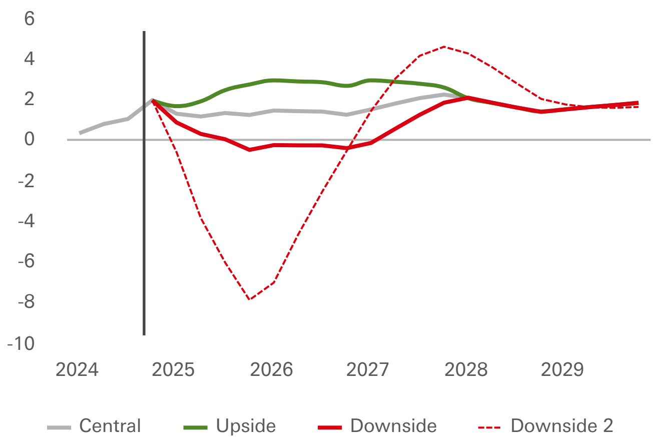
The table below describes key macroeconomic variables in the Downside 2 scenario.

Downside 2 scenario worst outcome

| | 2025 Q1-2029 Q4 | 2024 Q1-2028 Q4 |
|---|---|---|
| GDP growth rate (%, start-to-trough)[1] | **(9.1) (2Q26)** | (8.8) (2Q25) |
| Unemployment rate (%, max)[2] | **8.4 (2Q26)** | 8.4 (2Q25) |
| House price index (%, start-to-trough)[1] | **(27.2) (4Q26)** | (30.2) (4Q25) |
| Inflation rate (YoY % change, max)[3] | **10.1 (2Q25)** | 10.1 (2Q24) |
| Central bank policy rate (%, max)[2] | **5.5 (1Q25)** | 6.0 (1Q24) |

1 Cumulative change to the lowest level of the series during the 20-quarter projection.
2 The highest projected unemployment or policy interest rate in the scenario.
3 The highest projected YoY percentage change in inflation in the scenario.

Following graph shows the historical and forecasted GDP growth rate for the various economic scenarios.




**Scenario weighting**
Scenarios are calibrated to probabilities that are determined with reference to consensus probability distributions. Management may choose to vary weights, where they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and the probability distribution takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risks.

In reviewing the economic environment, the level of uncertainty and risk, management has considered UK specific factors.

In the fourth quarter of 2024, key consideration around uncertainty attached to the Central scenario projections focused on:

- the implications of the Budget and fiscal outlook on growth, employment and inflation;
- the implications of changes to monetary policy expectations on growth and employment;
- US import tariffs and bilateral tariff escalations globally and the impact to trade and manufacturing supply chains;
- estimation and forecast uncertainty for UK unemployment given ongoing methodology updates at the Office for National Statistics; and
- risks of an asset price correction given already elevated valuations across different asset classes;

Although these factors are significant, management assessed that following the tariff-based adjustment, the adjusted Central scenario reflected their most likely future economic outcome and that outer scenarios were sufficiently well calibrated to address the crystallisation of more severe risks.

This led management to assign scenario probabilities that are aligned to the standard scenario probability calibration framework. The Central scenario was assigned a 75% probability weighting. The consensus Upside scenario was assigned a 10% weighting, and the consensus Downside scenario was given 10%. The Downside 2 was assigned a 5% weighting.

In support of the decision, it was noted that the tariffs have a small direct impact on GDP growth forecasts, but indirect effects would be larger through weaker trade and lower global growth. The outlook also remains modest given the partially offsetting impacts from measures announced in the Budget and elevated interest rates.

Scenario weights %

| | 4Q24 | 4Q23 |
|---|---|---|
| Upside | **10.0** | 10.0 |
| Central | **75.0** | 75.0 |
| Downside | **10.0** | 10.0 |
| Downside 2 | **5.0** | 5.0 |

## Critical estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates at 31 December 2024. These included:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and
- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

## How economic scenarios are reflected in ECL calculations

Models are used to reflect economic scenarios in ECL estimates. As described above, modelled assumptions and linkages based on historical information could not alone produce relevant information under the conditions experienced in 2024, and management judgemental adjustments were still required to support modelled outcomes.

HSBC Group have developed globally consistent methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail credit risk. These standard approaches are described below, followed by the management judgemental adjustments made, including those to reflect the circumstances experienced in 2024.

For wholesale portfolios, a methodology is used for the estimation of the term structure of PD and Loss given default ('LGD'). For PDs, we consider the correlation of forward economic guidance to default rates for a particular industry. For LGD calculations, we consider the correlation of forward economic guidance to collateral values and realisation rates for a particular industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, ECL estimates are derived based on discounted cash flow ('DCF') calculations for internal forward-looking scenarios specific to individual borrower circumstances, see page 45. Probability-weighted outcomes are applied, and depending on materiality and status of the borrower, the number of scenarios considered will change. Where relevant for the case being assessed, forward economic guidance is incorporated as part of these scenarios. LGD-driven proxy and modelled estimates are used for certain less material cases.

For retail portfolios, the models are predominantly based on historical observations and correlations with default rates and collateral values.

For PD, the impact of economic scenarios is modelled for each portfolio, leveraging historical relationships between default rates and macroeconomic variables. These are included within IFRS 9 ECL estimates using either economic response models or models which contain internal, external and macroeconomic variables. The macroeconomic impact on PD is modelled over the period equal to the remaining maturity of the assets.

For LGD, the impact is modelled for mortgage portfolios by forecasting future loan-to-value profiles for the remaining maturity of the asset, leveraging national level house price index forecast and applying the corresponding LGD expectation relative to the updated forecast collateral values.

For unsecured portfolios historically observed recovery rates are leveraged to measure loss. For both mortgages and unsecured, a limited number of portfolios utilise a macroeconomic dependent stressed LGD applied to the Downside 2 scenario.

Management judgemental adjustments are described below.

## Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are short-term increases or decreases to the modelled ECL at either a customer, segment or portfolio level where management believes ECL results do not sufficiently reflect the credit risk/expected credit loses at the reporting date. These can relate to risks or uncertainties which are not reflected in the models and/or to any late-breaking events with significant uncertainty, subject to management review and challenge.

This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and quantitative analysis for impacts that are difficult to model.

The effect of management judgemental adjustments are considered for balances and ECL when determining whether or not a significant increase in credit risk has occurred and are attributed or allocated to a stage as appropriate. This is in accordance with the internal adjustments framework.

Management judgemental adjustments are reviewed under the governance process for IFRS 9 (as detailed in the section 'Credit risk management' on page 25). Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge.

In addition to management judgemental adjustments there are also 'Other adjustments', which are made to address process limitations and data/model deficiencies and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.

'Management judgemental adjustments' and 'Other adjustments' constitute the total value of adjustments to modelled ECL.

For the wholesale portfolio, defaulted exposures are assessed individually and management judgemental adjustments are made only to the performing portfolio.

Management judgemental adjustments made in estimating the scenario-weighted reported ECL at 31 December 2024 are set out in the following table.

### Management judgemental adjustments to ECL at 31 December 2024[1]

| | Retail | Wholesale[2] | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Modelled ECL (A)[3]** | **582** | **512** | **1,094** |
| Corporate lending adjustments | — | — | — |
| Inflation related adjustments | **3** | — | **3** |
| Other credit judgements | **7** | — | **7** |
| **Total management judgemental adjustments (B)[4]** | **10** | — | **10** |
| **Other adjustments (C)[5]** | **(43)** | **14** | **(29)** |
| **Final ECL (A + B + C)[6]** | **549** | **526** | **1,075** |

### Management judgemental adjustments to ECL at 31 December 2023[1]

| | Retail | Wholesale[2] | Total |
|---|---|---|---|
| | £m | £m | £m |
| Modelled ECL (A)[3] | 523 | 488 | 1,011 |
| Corporate lending adjustments | — | 44 | 44 |
| Inflation related adjustments | 30 | — | 30 |
| Other credit judgements | 200 | — | 200 |
| Total management judgemental adjustments (B)[4] | 230 | 44 | 274 |
| Other adjustments (C)[5] | (28) | 50 | 22 |
| Final ECL (A + B + C)[6] | 725 | 582 | 1,307 |

1 Management judgemental adjustments presented in the table reflect increases or (decreases) to allowance for ECL, respectively.
2 The wholesale portfolio corresponds to adjustments to the performing portfolio (stage 1 and stage 2).
3 (A) refers to probability-weighted allowance for ECL before any adjustments are applied.
4 (B) refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model and/or to any late-breaking events.
5 (C) refers to adjustments to allowance for ECL made to address process limitations and data/model deficiencies and can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL.
6 As presented within our internal credit risk governance.

At 31 December 2024, total adjustments of the Wholesale portfolio to the modelled output were an ECL increase of £14m, comprising £6 relating to Corporate portfolios and £8m relating to Retail Small and medium-sized enterprise ('SME') portfolios (31 December 2023: £94m increase including £16m from Retail SME).

- The decrease in adjustments is attributed to crystallisation of existing risks as at 31 December 2023 through downgrades, and an improved reflection of emerging risks in macroeconomic scenarios and modelled outcomes.

At 31 December 2024, total adjustments of the Retail portfolio to the modelled output were an ECL decrease of £33m (31 December 2023: £202m increase).

- Management judgemental adjustments relating to Other credit judgements increased ECL by £7m (31 December 2023: £200m). The decrease was primarily driven by unwind of the adjustment capturing the potential delayed impact of economic scenarios on unsecured portfolio defaults in light of continued portfolio resilience.
- Management judgemental adjustments relating to inflation increased ECL by £3m (31 December 2023: £30m). The reduction was primarily due to the reduction in inflation related risk.

## Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting ECL.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted (stage 3) obligors. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and therefore the effect of macroeconomic factors are not necessarily the key consideration when performing individual assessments of ECL for obligors in default. Loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. Due to the range and specificity of the credit factors to which the ECL is sensitive, it is not possible to provide a meaningful alternative sensitivity analysis for a consistent set of risks across all defaulted obligors.

For retail mortgage exposures, the sensitivity analysis includes ECL for loans and advances to customers related to defaulted obligors. This is because the retail ECL for secured mortgage portfolios, including loans in all stages, is sensitive to macroeconomic variables.

## Wholesale and retail sensitivity analysis

The wholesale and retail sensitivity tables present the 100% weighted results. The results tables exclude small portfolios, and as such cannot be directly compared to personal and wholesale lending presented in other credit risk tables. Additionally, in both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are also not directly comparable to the current period, because they reflect different risks relative to the Consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

For both retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

### Wholesale analysis

IFRS 9 ECL sensitivity to future economic conditions[1,2,3]

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| **ECL of financial instruments subject to significant measurement uncertainty at 31 Dec[1]** | | |
| Reported ECL | **526** | 582 |
| **Consensus scenarios** | | |
| Central scenario | **491** | 542 |
| Upside scenario | **390** | 436 |
| Downside scenario | **620** | 736 |
| Downside 2 scenario | **1,599** | 1,692 |

1 ECL sensitivity includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.
2 Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.
3 Excludes defaulted obligors. For a detailed breakdown of performing and non-performing wholesale portfolio exposures, see page 46.

In the wholesale portfolio, off-balance sheet financial instruments have a lower likelihood to be fully converted to a funded exposure at the point of default, and consequently the sensitivity of ECL is lower in relation to its nominal amount, when compared with an on-balance sheet exposure with a similar risk profile.

### Retail analysis

IFRS 9 ECL sensitivity to future economic conditions[1]

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| **ECL of loans and advances to customers at 31 Dec** | | |
| Reported ECL | **516** | 685 |
| **Consensus scenarios** | | |
| Central scenario | **498** | 669 |
| Upside scenario | **470** | 586 |
| Downside scenario | **520** | 735 |
| Downside 2 scenario | **866** | 1,046 |

1 ECL sensitivities exclude portfolios utilising less complex modelling approaches.

Mortgages reflected the lowest level of ECL sensitivity given the significant levels of collateral relative to exposure values. Credit cards and other unsecured lending across stage 1 and stage 2 are more sensitive to economic forecasts and therefore reflected the highest level of ECL sensitivity during 2024.

There was a reduction in the total sensitivity for ECL in all scenarios compared with 31 December 2023, due to reduction of management judgemental adjustments, model redevelopments and scenario evolution.

There is limited sensitivity in credit cards and other unsecured lending in stage 3 as levels of loss on defaulted exposures remain consistent through various economic conditions. The Downside 2 scenario is from the tail of the economic distribution where ECL is more sensitive based on historical experience and includes a macroeconomic dependent stressed LGD for a limited number of portfolios.

The following disclosure provides a reconciliation by stage of the HSBC UK's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees, reconciliation by stage of the HSBC UK's gross carrying amount and allowances for loans and advances to banks and customers and Reconciliation by stage of the HSBC UK's nominal amount and allowances for loan commitments and financial guarantees.

Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument.

The transfers of financial instruments represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (Stage 1) to a lifetime (Stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/PD movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item.

Changes in Net new and further lending/repayments includes 'New financial assets originated or purchased', 'Assets derecognised (including final repayments)' and 'Changes to risk parameters – further lending/repayment' represent the impact from volume movements within the HSBC UK's lending portfolio.

## Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

(Audited)

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | 240,631 | (317) | 47,362 | (780) | 4,252 | (710) | — | — | 292,245 | (1,807) |
| Transfers of financial instruments | (3,927) | (290) | 2,298 | 344 | 1,629 | (54) | — | — | — | — |
| – transfers from Stage 1 to Stage 2 | (37,934) | 156 | 37,934 | (156) | — | — | — | — | — | — |
| – transfers from Stage 2 to Stage 1 | 34,287 | (417) | (34,287) | 417 | — | — | — | — | — | — |
| – transfers to Stage 3 | (585) | 5 | (1,833) | 145 | 2,418 | (150) | — | — | — | — |
| – transfers from Stage 3 | 305 | (34) | 484 | (62) | (789) | 96 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 254 | — | (158) | — | (8) | — | — | — | 88 |
| Net new and further lending/ repayments | 19,372 | (67) | (10,633) | 231 | (1,349) | 298 | — | — | 7,390 | 462 |
| Changes to risk parameters – credit quality | — | 99 | — | (235) | — | (811) | — | — | — | (947) |
| Changes to models used for ECL calculation | — | 21 | — | 5 | — | (18) | — | — | — | 8 |
| Assets written off | — | — | — | — | (605) | 605 | — | — | (605) | 605 |
| Foreign exchange | — | (1) | — | — | — | — | — | — | — | (1) |
| Others | 46 | — | — | — | — | — | — | — | 46 | — |
| **At 31 Dec 2024** | 256,122 | (301) | 39,027 | (593) | 3,927 | (698) | — | — | 299,076 | (1,592) |
| ECL income statement change for the period | | 307 | | (157) | | (539) | | — | | (389) |
| Recoveries | | | | | | | | | | 74 |
| Others | | | | | | | | | | (4) |
| **Total ECL income statement change for the period** | | | | | | | | | | (319) |

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1] (continued)

(Audited)

| | Non credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount £m | Allow-ance for ECL £m | Gross carrying/ nominal amount £m | Allow-ance for ECL £m | Gross carrying/ nominal amount £m | Allow-ance for ECL £m | Gross carrying/ nominal amount £m | Allow-ance for ECL £m | Gross carrying/ nominal amount £m | Allow-ance for ECL £m |
| At 1 Jan 2023 | 223,956 | (277) | 51,572 | (978) | 4,784 | (755) | 23 | (1) | 280,335 | (2,011) |
| Transfers of financial instruments: | (6,383) | (364) | 4,508 | 493 | 1,875 | (129) | — | — | — | — |
| – transfers from Stage 1 to Stage 2 | (48,798) | 158 | 48,798 | (158) | — | — | — | — | — | — |
| – transfers from Stage 2 to Stage 1 | 42,905 | (521) | (42,905) | 521 | — | — | — | — | — | — |
| – transfers to Stage 3 | (697) | 8 | (1,891) | 174 | 2,588 | (182) | — | — | — | — |
| – transfers from Stage 3 | 207 | (9) | 506 | (44) | (713) | 53 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 334 | — | (223) | — | (4) | — | — | — | 107 |
| Net new and further lending/ repayments | 22,994 | (96) | (8,718) | 174 | (1,745) | 138 | (23) | — | 12,508 | 216 |
| Changes to risk parameters – credit quality | — | 88 | — | (254) | — | (623) | — | 1 | — | (788) |
| Changes to models used for ECL calculation | — | (2) | — | 8 | — | 1 | — | — | — | 7 |
| Assets written off | — | — | — | — | (662) | 662 | — | — | (662) | 662 |
| Foreign exchange | — | — | — | — | — | — | — | — | — | — |
| Others | 64 | — | — | — | — | — | — | — | 64 | — |
| At 31 Dec 2023 | 240,631 | (317) | 47,362 | (780) | 4,252 | (710) | — | — | 292,245 | (1,807) |
| ECL income statement change for the period | | 324 | | (295) | | (488) | | 1 | | (458) |
| Recoveries | | | | | | | | | | 63 |
| Others | | | | | | | | | | (5) |
| Total ECL income statement change for the period | | | | | | | | | | (400) |

1 The Reconciliation excludes loans and advances to other HSBC Group companies. As at 31 December 2024, these amounted to £1.2bn (2023: £0.5bn) and were classified as Stage 1 with no ECL.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **174,984** | **(286)** | **42,286** | **(755)** | **3,911** | **(665)** | **—** | **—** | **221,181** | **(1,706)** |
| Transfers of financial instruments: | **(3,944)** | **(280)** | **2,488** | **328** | **1,456** | **(48)** | **—** | **—** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(33,463)** | **150** | **33,463** | **(150)** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **29,766** | **(401)** | **(29,766)** | **401** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(482)** | **5** | **(1,647)** | **139** | **2,129** | **(144)** | **—** | **—** | **—** | **—** |
| – transfers from stage 3 | **235** | **(34)** | **438** | **(62)** | **(673)** | **96** | **—** | **—** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **245** | **—** | **(148)** | **—** | **(8)** | **—** | **—** | **—** | **89** |
| Net new and further lending/repayments | **15,424** | **(70)** | **(9,622)** | **221** | **(1,228)** | **249** | **—** | **—** | **4,574** | **400** |
| Changes to risk parameters – credit quality | **—** | **96** | **—** | **(216)** | **—** | **(765)** | **—** | **—** | **—** | **(885)** |
| Changes to models used for ECL calculation | **—** | **21** | **—** | **5** | **—** | **(18)** | **—** | **—** | **—** | **8** |
| Assets written off | **—** | **—** | **—** | **—** | **(605)** | **605** | **—** | **—** | **(605)** | **605** |
| Foreign exchange | **—** | **(1)** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(1)** |
| Others | **46** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **46** | **—** |
| **At 31 Dec 2024** | **186,510** | **(275)** | **35,152** | **(565)** | **3,534** | **(650)** | **—** | **—** | **225,196** | **(1,490)** |
| ECL income statement change for the period | | **292** | | **(138)** | **—** | **(542)** | | **—** | | **(388)** |
| Recoveries | | | | | | | | | | **74** |
| Others | | | | | | | | | | **(5)** |
| **Total ECL income statement change for the period** | | | | | | | | | | **(319)** |

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers

(Audited)

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| At 1 Jan 2023 | 160,644 | (249) | 46,693 | (941) | 4,526 | (723) | 23 | (1) | 211,886 | (1,914) |
| Transfers of financial instruments: | (5,936) | (340) | 4,186 | 467 | 1,750 | (127) | — | — | — | — |
| – transfers from stage 1 to stage 2 | (40,020) | 152 | 40,020 | (152) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 34,538 | (491) | (34,538) | 491 | — | — | — | — | — | — |
| – transfers to stage 3 | (622) | 8 | (1,782) | 172 | 2,404 | (180) | — | — | — | — |
| – transfers from stage 3 | 168 | (9) | 486 | (44) | (654) | 53 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 312 | — | (205) | — | (4) | — | — | — | 103 |
| Net new and further lending/repayments | 20,212 | (98) | (8,593) | 170 | (1,703) | 115 | (23) | — | 9,893 | 187 |
| Changes to risk parameters – credit quality | — | 91 | — | (254) | — | (589) | — | 1 | — | (751) |
| Changes to models used for ECL calculation | — | (2) | — | 8 | — | 1 | — | — | — | 7 |
| Assets written off | — | — | — | — | (662) | 662 | — | — | (662) | 662 |
| Foreign exchange | — | — | — | — | — | — | — | — | — | — |
| Others | 64 | — | — | — | — | — | — | — | 64 | — |
| At 31 Dec 2023 | 174,984 | (286) | 42,286 | (755) | 3,911 | (665) | — | — | 221,181 | (1,706) |
| ECL income statement change for the period | | 303 | | (281) | — | (477) | | 1 | | (454) |
| Recoveries | | | | | | | | | | 63 |
| Others | | | | | | | | | | (5) |
| Total ECL income statement change for the period | | | | | | | | | | (396) |

Reconciliation of changes in gross carrying/nominal amount and allowances for loan commitments and financial guarantees

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **65,647** | **(31)** | **5,076** | **(25)** | **341** | **(45)** | **—** | **—** | **71,064** | **(101)** |
| Transfers of financial instruments | **17** | **(10)** | **(190)** | **16** | **173** | **(6)** | **—** | **—** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(4,471)** | **6** | **4,471** | **(6)** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **4,521** | **(16)** | **(4,521)** | **16** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(103)** | **—** | **(186)** | **6** | **289** | **(6)** | **—** | **—** | **—** | **—** |
| – transfers from stage 3 | **70** | **—** | **46** | **—** | **(116)** | **—** | **—** | **—** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **9** | **—** | **(10)** | **—** | **—** | **—** | **—** | **—** | **(1)** |
| Net new and further lending/repayments | **3,948** | **3** | **(1,011)** | **10** | **(121)** | **49** | **—** | **—** | **2,816** | **62** |
| Changes to risk parameters – credit quality | **—** | **3** | **—** | **(19)** | **—** | **(46)** | **—** | **—** | **—** | **(62)** |
| **At 31 Dec 2024** | **69,612** | **(26)** | **3,875** | **(28)** | **393** | **(48)** | **—** | **—** | **73,880** | **(102)** |
| ECL income statement change for the period | | **15** | | **(19)** | **—** | **3** | | **—** | | **(1)** |
| Recoveries | | | | | | | | | | **—** |
| Others | | | | | | | | | | **1** |
| **Total ECL income statement change for the period** | | | | | | | | | | **—** |
| | | | | | | | | | | |
| At 1 Jan 2023 | 63,312 | (28) | 4,879 | (37) | 258 | (32) | — | — | 68,449 | (97) |
| Transfers of financial instruments: | (447) | (24) | 322 | 26 | 125 | (2) | — | — | — | — |
| – transfers from stage 1 to stage 2 | (8,778) | 6 | 8,778 | (6) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 8,367 | (30) | (8,367) | 30 | — | — | — | — | — | — |
| – transfers to stage 3 | (75) | — | (109) | 2 | 184 | (2) | — | — | — | — |
| – transfers from stage 3 | 39 | — | 20 | — | (59) | — | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 22 | — | (18) | — | — | — | — | — | 4 |
| Net new and further lending/repayments | 2,782 | 2 | (125) | 4 | (42) | 23 | — | — | 2,615 | 29 |
| Changes to risk parameters – credit quality | — | (3) | — | — | — | (34) | — | — | — | (37) |
| At 31 Dec 2023 | 65,647 | (31) | 5,076 | (25) | 341 | (45) | — | — | 71,064 | (101) |
| ECL income statement change for the period | | 21 | | (14) | — | (11) | | — | | (4) |
| Recoveries | | | | | | | | | | — |
| Others | | | | | | | | | | — |
| Total ECL income statement change for the period | | | | | | | | | | (4) |

# Credit quality of financial instruments

(Audited)

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a-point-in-time assessment of PD, whereas Stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit-impaired financial instruments there is no direct relationship between the credit quality assessment and Stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in Stage 2.

The five credit quality classifications defined above each encompass a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table on page 26.

## Distribution of financial instruments by credit quality

(Audited)

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Strong | Good | Satisfactory | Sub-standard | Credit impaired | Total | Allowance for ECL | Net |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **In-scope for IFRS 9** | | | | | | | | |
| Loans and advances to customers held at amortised cost | **128,253** | **44,989** | **37,009** | **5,309** | **3,532** | **219,092** | **(1,488)** | **217,604** |
| – personal | **117,179** | **20,821** | **7,953** | **456** | **857** | **147,266** | **(531)** | **146,735** |
| – corporate and commercial | **8,719** | **21,727** | **25,780** | **4,776** | **2,638** | **63,640** | **(913)** | **62,727** |
| – non-bank financial institutions | **2,355** | **2,441** | **3,276** | **77** | **37** | **8,186** | **(44)** | **8,142** |
| Loans and advances to banks held at amortised cost | **7,263** | **—** | **—** | **—** | **2** | **7,265** | **(2)** | **7,263** |
| Cash and balances at central banks | **52,276** | **—** | **—** | **—** | **—** | **52,276** | **—** | **52,276** |
| Reverse repurchase agreements – non-trading | **11,776** | **—** | **—** | **—** | **—** | **11,776** | **—** | **11,776** |
| Financial investments | **16,323** | **—** | **—** | **—** | **—** | **16,323** | **(1)** | **16,322** |
| Other assets | **2,451** | **203** | **261** | **6** | **31** | **2,952** | **(7)** | **2,945** |
| – endorsements and acceptances | **3** | **28** | **6** | **4** | **—** | **41** | **(3)** | **38** |
| – accrued income and other | **2,448** | **175** | **255** | **2** | **31** | **2,911** | **(4)** | **2,907** |
| Debt instruments measured at FVOCI[1] | **22,263** | **—** | **—** | **—** | **—** | **22,263** | **(1)** | **22,262** |
| **Out-of-scope for IFRS 9 ECL** | | | | | | | | |
| Derivatives | **284** | **6** | **5** | **—** | **—** | **295** | **—** | **295** |
| **Total gross carrying amount on balance sheet** | **240,889** | **45,198** | **37,275** | **5,315** | **3,565** | **332,242** | **(1,499)** | **330,743** |
| Percentage of total credit quality | **72.5** | **13.6** | **11.2** | **1.6** | **1.1** | **100.0** | **—** | **—** |
| Loan and other credit related commitments | **45,768** | **14,077** | **13,135** | **1,110** | **385** | **74,475** | **(99)** | **74,376** |
| Financial guarantees | **490** | **228** | **240** | **80** | **8** | **1,046** | **(3)** | **1,043** |
| **In-scope: Irrecoverable loan commitments and financial guarantees** | **46,258** | **14,305** | **13,375** | **1,190** | **393** | **75,521** | **(102)** | **75,419** |
| Loan and other credit related commitments | **753** | **830** | **1,177** | **228** | **96** | **3,084** | **—** | **3,084** |
| Performance and other guarantees | **309** | **923** | **983** | **181** | **20** | **2,416** | **(19)** | **2,397** |
| **Out-of-scope: Revocable loan commitments and Non-financial guarantees** | **1,062** | **1,753** | **2,160** | **409** | **116** | **5,500** | **(19)** | **5,481** |
| **Total nominal amount off balance sheet** | **47,320** | **16,058** | **15,535** | **1,599** | **509** | **81,021** | **(121)** | **80,900** |
| **At 31 Dec 2024** | **288,209** | **61,256** | **52,810** | **6,914** | **4,074** | **413,263** | **(1,620)** | **411,643** |
| | | | | | | | | |
| In-scope for IFRS 9 | | | | | | | | |
| Loans and advances to customers held at amortised cost | 123,866 | 43,385 | 35,581 | 6,850 | 3,909 | 213,591 | (1,704) | 211,887 |
| – personal | 115,161 | 19,668 | 7,190 | 341 | 955 | 143,315 | (703) | 142,612 |
| – corporate and commercial | 7,426 | 20,465 | 25,845 | 6,315 | 2,876 | 62,927 | (949) | 61,978 |
| – non-bank financial institutions | 1,279 | 3,252 | 2,546 | 194 | 78 | 7,349 | (52) | 7,297 |
| Loans and advances to banks held at amortised cost | 7,980 | — | — | — | 2 | 7,982 | (2) | 7,980 |
| Cash and balances at central banks | 65,719 | — | — | — | — | 65,719 | — | 65,719 |
| Reverse repurchase agreements – non-trading | 7,686 | — | — | — | — | 7,686 | — | 7,686 |
| Financial investments | 11,820 | — | — | — | — | 11,820 | (1) | 11,819 |
| Other assets | 1,498 | 216 | 282 | 6 | 26 | 2,028 | (9) | 2,019 |
| – endorsements and acceptances | 3 | 25 | 9 | — | 2 | 39 | (6) | 33 |
| – accrued income and other | 1,495 | 191 | 273 | 6 | 24 | 1,989 | (3) | 1,986 |
| Debt instruments measured at FVOCI[1] | 15,020 | — | — | — | — | 15,020 | (1) | 15,019 |
| Out-of-scope for IFRS 9 | | | | | | | | |
| Derivatives | 157 | 12 | 5 | 1 | 1 | 176 | — | 176 |
| Total gross carrying amount on balance sheet | 233,746 | 43,613 | 35,868 | 6,857 | 3,938 | 324,022 | (1,717) | 322,305 |
| Percentage of total credit quality | 72.1 | 13.5 | 11.1 | 2.1 | 1.2 | 100.0 | — | — |
| Loan and other credit related commitments | 43,062 | 14,181 | 11,906 | 902 | 330 | 70,381 | (99) | 70,282 |
| Financial guarantees | 600 | 224 | 215 | 71 | 11 | 1,121 | (2) | 1,119 |
| In-scope: Irrecoverable loan commitments and financial guarantees | 43,662 | 14,405 | 12,121 | 973 | 341 | 71,502 | (101) | 71,401 |
| Loan and other credit related commitments | 490 | 914 | 1,091 | 268 | 48 | 2,811 | — | 2,811 |
| Performance and other guarantees | 367 | 645 | 1,163 | 114 | 41 | 2,330 | (20) | 2,310 |
| Out-of-scope: Revocable loan commitments and Non-financial guarantees | 857 | 1,559 | 2,254 | 382 | 89 | 5,141 | (20) | 5,121 |
| Total nominal amount off balance sheet | 44,519 | 15,964 | 14,375 | 1,355 | 430 | 76,643 | (121) | 76,522 |
| At 31 Dec 2023 | 278,265 | 59,577 | 50,243 | 8,212 | 4,368 | 400,665 | (1,838) | 398,827 |

1 For the purposes of this disclosure gross carrying amount is defined as the amortised cost of a financial asset, before adjusting for any loss allowance. As such, the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage allocation

(Audited)

| | Gross carrying/notional amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Strong | Good | Satisfactory | Sub-standard | Credit impaired | Total | Allowance for ECL | Net |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Loans and advances to customers at amortised cost | **128,253** | **44,989** | **37,009** | **5,309** | **3,532** | **219,092** | **(1,488)** | **217,604** |
| – Stage 1 | **117,139** | **32,452** | **29,282** | **1,535** | **—** | **180,408** | **(275)** | **180,133** |
| – Stage 2 | **11,114** | **12,537** | **7,727** | **3,774** | **—** | **35,152** | **(565)** | **34,587** |
| – Stage 3 | **—** | **—** | **—** | **—** | **3,532** | **3,532** | **(648)** | **2,884** |
| | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Loans and advances to banks at amortised cost | **7,263** | **—** | **—** | **—** | **2** | **7,265** | **(2)** | **7,263** |
| – Stage 1 | **7,263** | **—** | **—** | **—** | **—** | **7,263** | **—** | **7,263** |
| – Stage 2 | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – Stage 3 | **—** | **—** | **—** | **—** | **2** | **2** | **(2)** | **—** |
| – POCI | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Other financial assets measured at amortised cost | **82,826** | **203** | **261** | **6** | **31** | **83,327** | **(8)** | **83,319** |
| – Stage 1 | **82,791** | **167** | **200** | **2** | **—** | **83,160** | **(4)** | **83,156** |
| – Stage 2 | **35** | **36** | **61** | **4** | **—** | **136** | **(2)** | **134** |
| – Stage 3 | **—** | **—** | **—** | **—** | **31** | **31** | **(2)** | **29** |
| – POCI | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Loan and other credit-related commitments | **45,768** | **14,077** | **13,135** | **1,110** | **385** | **74,475** | **(99)** | **74,376** |
| – Stage 1 | **45,482** | **12,877** | **11,527** | **394** | **—** | **70,280** | **(26)** | **70,254** |
| – Stage 2 | **286** | **1,200** | **1,608** | **716** | **—** | **3,810** | **(28)** | **3,782** |
| – Stage 3 | **—** | **—** | **—** | **—** | **385** | **385** | **(45)** | **340** |
| – POCI | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Financial guarantees | **490** | **228** | **240** | **80** | **8** | **1,046** | **(3)** | **1,043** |
| – Stage 1 | **490** | **217** | **167** | **3** | **—** | **877** | **—** | **877** |
| – Stage 2 | **—** | **11** | **73** | **77** | **—** | **161** | **—** | **161** |
| – Stage 3 | **—** | **—** | **—** | **—** | **8** | **8** | **(3)** | **5** |
| – POCI | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **At 31 Dec 2024** | **264,600** | **59,497** | **50,645** | **6,505** | **3,958** | **385,205** | **(1,600)** | **383,605** |
| **Debt instruments at FVOCI[1]** | **22,263** | **—** | **—** | **—** | **—** | **22,263** | **(1)** | **22,262** |
| – Stage 1 | **22,263** | **—** | **—** | **—** | **—** | **22,263** | **(1)** | **22,262** |
| – Stage 2 | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – Stage 3 | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – POCI | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **At 31 Dec 2024** | **22,263** | **—** | **—** | **—** | **—** | **22,263** | **(1)** | **22,262** |
| | | | | | | | | |
| Loans and advances to customers at amortised cost | 123,866 | 43,385 | 35,581 | 6,850 | 3,909 | 213,591 | (1,704) | 211,887 |
| – stage 1 | 112,334 | 28,852 | 24,162 | 2,048 | — | 167,396 | (286) | 167,110 |
| – stage 2 | 11,532 | 14,533 | 11,419 | 4,802 | — | 42,286 | (755) | 41,531 |
| – stage 3 | — | — | — | — | 3,909 | 3,909 | (663) | 3,246 |
| – POCI | — | — | — | — | — | — | — | — |
| Loans and advances to banks at amortised cost | 7,980 | — | — | — | 2 | 7,982 | (2) | 7,980 |
| – stage 1 | 7,980 | — | — | — | — | 7,980 | — | 7,980 |
| – stage 2 | — | — | — | — | — | — | — | — |
| – stage 3 | — | — | — | — | 2 | 2 | (2) | — |
| – POCI | — | — | — | — | — | — | — | — |
| Other financial assets measured at amortised cost | 86,723 | 216 | 282 | 6 | 26 | 87,253 | (10) | 87,243 |
| – stage 1 | 86,695 | 170 | 203 | 5 | — | 87,073 | (7) | 87,066 |
| – stage 2 | 28 | 46 | 79 | 1 | — | 154 | — | 154 |
| – stage 3 | — | — | — | — | 26 | 26 | (3) | 23 |
| – POCI | — | — | — | — | — | — | — | — |
| Loan and other credit-related commitments | 43,062 | 14,181 | 11,906 | 902 | 330 | 70,381 | (99) | 70,282 |
| – stage 1 | 42,606 | 12,838 | 9,492 | 321 | — | 65,257 | (31) | 65,226 |
| – stage 2 | 456 | 1,343 | 2,414 | 581 | — | 4,794 | (25) | 4,769 |
| – stage 3 | — | — | — | — | 330 | 330 | (43) | 287 |
| – POCI | — | — | — | — | — | — | — | — |
| Financial guarantees | 600 | 224 | 215 | 71 | 11 | 1,121 | (2) | 1,119 |
| – stage 1 | 448 | 206 | 153 | 3 | — | 810 | — | 810 |
| – stage 2 | 152 | 18 | 62 | 68 | — | 300 | — | 300 |
| – stage 3 | — | — | — | — | 11 | 11 | (2) | 9 |
| – POCI | — | — | — | — | — | — | — | — |
| At 31 Dec 2023 | 262,231 | 58,006 | 47,984 | 7,829 | 4,278 | 380,328 | (1,817) | 378,511 |
| Debt instruments at FVOCI[1] | 15,020 | — | — | — | — | 15,020 | (1) | 15,019 |
| – stage 1 | 15,020 | — | — | — | — | 15,020 | (1) | 15,019 |
| – stage 2 | — | — | — | — | — | — | — | — |
| – stage 3 | — | — | — | — | — | — | — | — |
| – POCI | — | — | — | — | — | — | — | — |
| At 31 Dec 2023 | 15,020 | — | — | — | — | 15,020 | (1) | 15,019 |

1 For the purposes of this disclosure, gross carrying amount is defined as the amortised cost of a financial asset before adjusting for any loss allowance. As such, the gross carrying amount of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.

## Credit-impaired loans

(Audited)

We determine that a financial instrument is credit-impaired and in Stage 3 by considering relevant objective evidence, primarily whether:

– contractual payments of either principal or interest are past due for more than 90 days;

– there are other indications that the borrower is unlikely to pay, such as a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and

– the loan is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 DPD. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that Stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

## Forbearance

The following table shows the gross carrying amounts of HSBC UK's holdings of forborne loans and advances to customers by industry sector and by stages. Mandatory and general offer loan modifications that are not borrower-specific, for example market-wide customer relief programmes, have not been classified as forborne loans.

A summary of our current policies and practices for forbearance is set out in 'Credit risk management' on page 25.

Forborne loans and advances to customers at amortised costs by stage allocation

| | Performing – Forborne | Non-Performing – Forborne | | Total Forborne |
|---|---|---|---|---|
| | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m |
| **Gross carrying amount** | | | | |
| Personal | **133** | **372** | **—** | **505** |
| – first lien residential mortgages | **21** | **234** | **—** | **255** |
| – credit cards | **52** | **52** | **—** | **104** |
| – other personal lending which is unsecured | **60** | **86** | **—** | **146** |
| Wholesale | **864** | **1,408** | **—** | **2,272** |
| – corporate and commercial | **861** | **1,405** | **—** | **2,266** |
| – non-bank financial institutions | **3** | **3** | **—** | **6** |
| **At 31 Dec 2024** | **997** | **1,780** | **—** | **2,777** |
| **Allowance for ECL** | | | | |
| Personal | **(12)** | **(93)** | **—** | **(105)** |
| – first lien residential mortgages | **—** | **(24)** | **—** | **(24)** |
| – credit cards | **(6)** | **(25)** | **—** | **(31)** |
| – other personal lending which is unsecured | **(6)** | **(44)** | **—** | **(50)** |
| Wholesale | **(68)** | **(221)** | **—** | **(289)** |
| – corporate and commercial | **(68)** | **(219)** | **—** | **(287)** |
| – non-bank financial institutions | **—** | **(2)** | **—** | **(2)** |
| **At 31 Dec 2024** | **(80)** | **(314)** | **—** | **(394)** |
| | | | | |
| Gross carrying amount | | | | |
| Personal | 149 | 408 | — | 557 |
| – first lien residential mortgages | 24 | 258 | — | 282 |
| – credit cards | 64 | 41 | — | 105 |
| – other personal lending which is unsecured | 61 | 109 | — | 170 |
| Wholesale | 1,010 | 1,110 | — | 2,120 |
| – corporate and commercial | 1,010 | 1,099 | — | 2,109 |
| – non-bank financial institutions | — | 11 | — | 11 |
| At 31 Dec 2023 | 1,159 | 1,518 | — | 2,677 |
| Allowance for ECL | | | | |
| Personal | (19) | (101) | — | (120) |
| – first lien residential mortgages | — | (34) | — | (34) |
| – credit cards | (9) | (22) | — | (31) |
| – other personal lending which is unsecured | (10) | (45) | — | (55) |
| Wholesale | (40) | (125) | — | (165) |
| – corporate and commercial | (40) | (125) | — | (165) |
| – non-bank financial institutions | — | — | — | — |
| At 31 Dec 2023 | (59) | (226) | — | (285) |

# Wholesale lending

This section provides further detail on the products in wholesale loans and advances to customers and banks. Product granularity is also provided by stage. Additionally, this section provides a reconciliation of the opening 1 January 2024 to 31 December 2024 closing gross carrying/nominal amounts and the associated allowance for ECL.

There was an increase in the Wholesale and retail trade portfolio in stage 1 largely from new lending and decrease in stage 2 was from repayments.

Total wholesale lending for loans and advances to banks and customers by stage distribution

| | Gross carrying amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Corporate and commercial | 51,144 | 9,858 | 2,638 | — | 63,640 | (150) | (315) | (448) | — | (913) |
| – agriculture, forestry and fishing | 3,416 | 709 | 192 | — | 4,317 | (9) | (22) | (24) | — | (55) |
| – mining and quarrying | 423 | 178 | 1 | — | 602 | (1) | (4) | — | — | (5) |
| – manufacturing | 6,483 | 1,127 | 341 | — | 7,951 | (13) | (33) | (65) | — | (111) |
| – electricity, gas, steam and air-conditioning supply | 1,305 | 43 | 5 | — | 1,353 | (2) | — | — | — | (2) |
| – water supply, sewerage, waste management and remediation | 847 | 85 | 14 | — | 946 | (1) | (2) | (2) | — | (5) |
| – real estate and construction | 9,094 | 3,723 | 514 | — | 13,331 | (29) | (95) | (83) | — | (207) |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 8,222 | 1,383 | 508 | — | 10,113 | (17) | (43) | (98) | — | (158) |
| – transportation and storage | 1,794 | 294 | 67 | — | 2,155 | (3) | (6) | (10) | — | (19) |
| – accommodation and food | 4,659 | 664 | 390 | — | 5,713 | (15) | (30) | (35) | — | (80) |
| – publishing, audiovisual and broadcasting | 2,688 | 409 | 138 | — | 3,235 | (22) | (27) | (29) | — | (78) |
| – professional, scientific and technical activities | 3,867 | 330 | 129 | — | 4,326 | (13) | (17) | (51) | — | (81) |
| – administrative and support services | 4,588 | 383 | 58 | — | 5,029 | (11) | (12) | (13) | — | (36) |
| – education | 599 | 96 | 31 | — | 726 | (2) | (5) | (12) | — | (19) |
| – health and care | 1,405 | 297 | 99 | — | 1,801 | (4) | (12) | (15) | — | (31) |
| – arts, entertainment and recreation | 834 | 56 | 36 | — | 926 | (2) | (3) | (3) | — | (8) |
| – other services | 916 | 81 | 115 | — | 1,112 | (6) | (4) | (8) | — | (18) |
| – activities of households | 1 | — | — | — | 1 | — | — | — | — | — |
| – government | 3 | — | — | — | 3 | — | — | — | — | — |
| Non-bank financial institutions | 7,826 | 323 | 37 | — | 8,186 | (8) | (5) | (31) | — | (44) |
| Loans and advances to banks | 7,263 | — | 2 | — | 7,265 | — | — | (2) | — | (2) |
| **At 31 Dec 2024** | **66,233** | **10,181** | **2,677** | **—** | **79,091** | **(158)** | **(320)** | **(481)** | **—** | **(959)** |

Total wholesale credit-related commitments and financial guarantees by stage distribution

| | Nominal amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Corporate and commercial | 25,246 | 3,370 | 342 | — | 28,958 | (20) | (28) | (45) | — | (93) |
| Financial | 5,193 | 249 | 13 | — | 5,455 | (1) | — | (1) | — | (2) |
| **At 31 Dec 2024** | **30,439** | **3,619** | **355** | **—** | **34,413** | **(21)** | **(28)** | **(46)** | **—** | **(95)** |

Total wholesale lending for loans and advances to banks and customers by stage distribution (continued)

| | Gross carrying amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Corporate and commercial | 46,197 | 13,854 | 2,876 | — | 62,927 | (156) | (365) | (428) | — | (949) |
| – agriculture, forestry and fishing | 2,895 | 1,159 | 190 | — | 4,244 | (7) | (37) | (24) | — | (68) |
| – mining and quarrying | 508 | 153 | 2 | — | 663 | (1) | (4) | — | — | (5) |
| – manufacturing | 4,732 | 2,472 | 426 | — | 7,630 | (13) | (62) | (95) | — | (170) |
| – electricity, gas, steam and air-conditioning supply | 727 | 17 | 2 | — | 746 | (2) | (1) | (1) | — | (4) |
| – water supply, sewerage, waste management and remediation | 836 | 145 | 9 | — | 990 | (2) | (4) | (4) | — | (10) |
| – real estate and construction | 10,055 | 2,759 | 564 | — | 13,378 | (27) | (52) | (87) | — | (166) |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 7,444 | 2,057 | 546 | — | 10,047 | (21) | (42) | (84) | — | (147) |
| – transportation and storage | 1,682 | 364 | 61 | — | 2,107 | (4) | (9) | (4) | — | (17) |
| – accommodation and food | 3,763 | 1,943 | 342 | — | 6,048 | (15) | (37) | (33) | — | (85) |
| – publishing, audiovisual and broadcasting | 2,313 | 641 | 110 | — | 3,064 | (25) | (37) | (11) | — | (73) |
| – professional, scientific and technical activities | 3,461 | 542 | 169 | — | 4,172 | (13) | (28) | (34) | — | (75) |
| – administrative and support services | 4,339 | 751 | 132 | — | 5,222 | (12) | (24) | (13) | — | (49) |
| – education | 522 | 131 | 33 | — | 686 | (2) | (5) | (3) | — | (10) |
| – health and care | 1,262 | 492 | 106 | — | 1,860 | (5) | (14) | (10) | — | (29) |
| – arts, entertainment and recreation | 874 | 63 | 53 | — | 990 | (3) | (3) | (16) | — | (22) |
| – other services | 773 | 165 | 131 | — | 1,069 | (4) | (6) | (9) | — | (19) |
| – activities of households | 1 | — | — | — | 1 | — | — | — | — | — |
| – government | 10 | — | — | — | 10 | — | — | — | — | — |
| Non-bank financial institutions | 6,434 | 837 | 78 | — | 7,349 | (11) | (6) | (35) | — | (52) |
| Loans and advances to banks | 7,980 | — | 2 | — | 7,982 | — | — | (2) | — | (2) |
| At 31 Dec 2023 | 60,611 | 14,691 | 2,956 | — | 78,258 | (167) | (371) | (465) | — | (1,003) |

### Total wholesale credit-related commitments and financial guarantees by stage distribution (continued)

| | Nominal amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Corporate and commercial | 22,254 | 3,714 | 252 | — | 26,220 | (22) | (24) | (43) | — | (89) |
| Financial | 2,966 | 804 | 20 | — | 3,790 | (1) | (1) | — | — | (2) |
| At 31 Dec 2023 | 25,220 | 4,518 | 272 | — | 30,010 | (23) | (25) | (43) | — | (91) |

### Wholesale lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees[1]

(Audited)

| | **Non-credit impaired** | | | | **Credit impaired** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | | **Stage 2** | | **Stage 3** | | **POCI** | | **Total** | |
| | **Gross carrying/ nominal amount** | **Allow- ance for ECL** | **Gross carrying/ nominal amount** | **Allow- ance for ECL** | **Gross carrying/ nominal amount** | **Allow- ance for ECL** | **Gross carrying/ nominal amount** | **Allow- ance for ECL** | **Gross carrying/ nominal amount** | **Allow- ance for ECL** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **At 1 Jan 2024** | **85,019** | **(190)** | **19,191** | **(396)** | **3,228** | **(508)** | **—** | **—** | **107,438** | **(1,094)** |
| Transfers of financial instruments | **(1,209)** | **(85)** | **(153)** | **145** | **1,362** | **(60)** | **—** | **—** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(14,756)** | **91** | **14,756** | **(91)** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **13,823** | **(171)** | **(13,823)** | **171** | **—** | **—** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(351)** | **2** | **(1,358)** | **72** | **1,709** | **(74)** | **—** | **—** | **—** | **—** |
| – transfers from stage 3 | **75** | **(7)** | **272** | **(7)** | **(347)** | **14** | **—** | **—** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **101** | **—** | **(97)** | **—** | **(2)** | **—** | **—** | **—** | **2** |
| Net new and further lending/repayments | **10,110** | **(41)** | **(5,334)** | **120** | **(1,228)** | **252** | **—** | **—** | **3,548** | **331** |
| Changes to risk parameters – credit quality | **—** | **11** | **—** | **(175)** | **—** | **(539)** | **—** | **—** | **—** | **(703)** |
| Changes to models used for ECL calculation | **—** | **26** | **—** | **55** | **—** | **—** | **—** | **—** | **—** | **81** |
| Assets written off | **—** | **—** | **—** | **—** | **(330)** | **330** | **—** | **—** | **(330)** | **330** |
| Foreign exchange | **—** | **(1)** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(1)** |
| Others | **46** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **46** | **—** |
| **At 31 Dec 2024** | **93,966** | **(179)** | **13,704** | **(348)** | **3,032** | **(527)** | **—** | **—** | **110,702** | **(1,054)** |
| ECL income statement change for the period | | **97** | | **(97)** | | **(289)** | | **—** | | **(289)** |
| Recoveries | | | | | | | | | | **13** |
| Others | | | | | | | | | | **(4)** |
| **Total ECL income statement change for the period** | | | | | | | | | | **(280)** |
| | | | | | | | | | | |
| At 1 Jan 2023 | 75,262 | (156) | 20,166 | (407) | 3,857 | (566) | 23 | (1) | 99,308 | (1,130) |
| Transfers of financial instruments | (5,492) | (187) | 4,042 | 233 | 1,450 | (46) | — | — | — | — |
| – transfers from stage 1 to stage 2 | (19,937) | 71 | 19,937 | (71) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 14,881 | (260) | (14,881) | 260 | — | — | — | — | — | — |
| – transfers to stage 3 | (598) | 7 | (1,434) | 65 | 2,032 | (72) | — | — | — | — |
| – transfers from stage 3 | 162 | (5) | 420 | (21) | (582) | 26 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 146 | — | (135) | — | (2) | — | — | — | 9 |
| Net new and further lending/repayments | 15,185 | (62) | (5,017) | 72 | (1,657) | 128 | (23) | — | 8,488 | 138 |
| Change to risk parameters – credit quality | — | 69 | — | (159) | — | (444) | — | 1 | — | (533) |
| Changes to models used for ECL calculation | — | — | — | — | — | — | — | — | — | — |
| Assets written off | — | — | — | — | (422) | 422 | — | — | (422) | 422 |
| Foreign exchange | — | — | — | — | — | — | — | — | — | — |
| Other | 64 | — | — | — | — | — | — | — | 64 | — |
| At 31 Dec 2023 | 85,019 | (190) | 19,191 | (396) | 3,228 | (508) | — | — | 107,438 | (1,094) |
| ECL income statement change for the period | | 153 | | (222) | | (318) | | 1 | | (386) |
| Recoveries | | | | | | | | | | 4 |
| Others | | | | | | | | | | (5) |
| Total ECL income statement change for the period | | | | | | | | | | (387) |

1 The reconciliation excludes loans and advances to other HSBC Group companies. As at 31 December 2024, these amounted to £1.2bn (2023: £0.5bn) and were classified as Stage 1 with no ECL.

Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost

| | Basel one-year PD range | Gross carrying amount | | | | | Allowance for ECL | | | | | ECL coverage | Mapped external rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total | | |
| | % | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | % | |
| **Corporate and commercial** | | **51,144** | **9,858** | **2,638** | **—** | **63,640** | **(150)** | **(315)** | **(448)** | **—** | **(913)** | **1.4** | |
| – CRR 1 | 0.000 to 0.053 | 520 | — | — | — | 520 | — | (1) | — | — | (1) | 0.2 | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 7,449 | 750 | — | — | 8,199 | (6) | (8) | — | — | (14) | 0.2 | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 19,978 | 1,749 | — | — | 21,727 | (26) | (29) | — | — | (55) | 0.3 | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 13,479 | 2,262 | — | — | 15,741 | (45) | (34) | — | — | (79) | 0.5 | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 8,292 | 1,747 | — | — | 10,039 | (62) | (45) | — | — | (107) | 1.1 | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 644 | 1,158 | — | — | 1,802 | (8) | (52) | — | — | (60) | 3.3 | B- |
| – CRR 7 | 8.861 to 15.000 | 590 | 1,420 | — | — | 2,010 | (3) | (62) | — | — | (65) | 3.2 | CCC+ |
| – CRR 8 | 15.001 to 99.999 | 192 | 772 | — | — | 964 | — | (84) | — | — | (84) | 8.7 | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 2,638 | — | 2,638 | — | — | (448) | — | (448) | 17.0 | D |
| **Non-bank financial institutions** | | **7,826** | **323** | **37** | **—** | **8,186** | **(8)** | **(5)** | **(31)** | **—** | **(44)** | **0.5** | |
| – CRR 1 | 0.000 to 0.053 | 298 | — | — | — | 298 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 2,057 | — | — | — | 2,057 | (1) | — | — | — | (1) | — | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 2,384 | 57 | — | — | 2,441 | (1) | (2) | — | — | (3) | 0.1 | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 2,715 | 100 | — | — | 2,815 | (3) | — | — | — | (3) | 0.1 | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 355 | 106 | — | — | 461 | (3) | (3) | — | — | (6) | 1.3 | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 6 | 57 | — | — | 63 | — | — | — | — | — | — | B- |
| – CRR 7 | 8.861 to 15.000 | 10 | 3 | — | — | 13 | — | — | — | — | — | — | CCC+ |
| – CRR 8 | 15.001 to 99.999 | 1 | — | — | — | 1 | — | — | — | — | — | — | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 37 | — | 37 | — | — | (31) | — | (31) | 83.8 | D |
| **Banks** | | **7,263** | **—** | **2** | **—** | **7,265** | **—** | **—** | **(2)** | **—** | **(2)** | **—** | |
| – CRR 1 | 0.000 to 0.053 | 7,181 | — | — | — | 7,181 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 82 | — | — | — | 82 | — | — | — | — | — | — | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | — | — | — | — | — | — | — | — | — | — | — | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | — | — | — | — | — | — | — | — | — | — | — | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | — | — | — | — | — | — | — | — | — | — | — | BB- to B |
| – CRR 6 | 4.915 to 8.860 | — | — | — | — | — | — | — | — | — | — | — | B- |
| – CRR 7 | 8.861 to 15.000 | — | — | — | — | — | — | — | — | — | — | — | CCC+ |
| – CRR 8 | 15.001 to 99.999 | — | — | — | — | — | — | — | — | — | — | — | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 2 | — | 2 | — | — | (2) | — | (2) | 100.0 | D |
| **At 31 Dec 2024** | | **66,233** | **10,181** | **2,677** | **—** | **79,091** | **(158)** | **(320)** | **(481)** | **—** | **(959)** | **1.2** | |

**Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost (continued)**

| | Basel one-year PD range | Gross carrying amount | | | | | Allowance for ECL | | | | | ECL coverage | Mapped external rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total | | |
| | % | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | % | |
| Corporate and commercial[1] | | 46,197 | 13,854 | 2,876 | — | 62,927 | (156) | (365) | (428) | — | (949) | 1.5 | |
| – CRR 1 | 0.000 to 0.053 | 392 | 1 | — | — | 393 | — | (1) | — | — | (1) | 0.3 | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 6,871 | 162 | — | — | 7,033 | (5) | (2) | — | — | (7) | 0.1 | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 17,704 | 2,761 | — | — | 20,465 | (26) | (40) | — | — | (66) | 0.3 | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 12,402 | 3,056 | — | — | 15,458 | (44) | (42) | — | — | (86) | 0.6 | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 6,984 | 3,403 | — | — | 10,387 | (59) | (93) | — | — | (152) | 1.5 | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 844 | 1,644 | — | — | 2,488 | (14) | (60) | — | — | (74) | 3.0 | B- |
| – CRR 7 | 8.861 to 15.000 | 343 | 1,903 | — | — | 2,246 | (4) | (75) | — | — | (79) | 3.5 | CCC+ |
| – CRR 8 | 15.001 to 99.999 | 657 | 924 | — | — | 1,581 | (4) | (52) | — | — | (56) | 3.5 | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 2,876 | — | 2,876 | — | — | (428) | — | (428) | 14.9 | D |
| Non-bank financial institutions | | 6,434 | 837 | 78 | — | 7,349 | (11) | (6) | (35) | — | (52) | 0.7 | |
| – CRR 1 | 0.000 to 0.053 | 346 | — | — | — | 346 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 887 | 46 | — | — | 933 | (1) | — | — | — | (1) | 0.1 | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 3,056 | 196 | — | — | 3,252 | (1) | (1) | — | — | (2) | 0.1 | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 1,874 | 449 | — | — | 2,323 | (3) | (1) | — | — | (4) | 0.2 | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 128 | 95 | — | — | 223 | (1) | (4) | — | — | (5) | 2.2 | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 130 | 46 | — | — | 176 | (5) | — | — | — | (5) | 2.8 | B- |
| – CRR 7 | 8.861 to 15.000 | 8 | 2 | — | — | 10 | — | — | — | — | — | — | CCC+ |
| – CRR 8 | 15.001 to 99.999 | 5 | 3 | — | — | 8 | — | — | — | — | — | — | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 78 | — | 78 | — | — | (35) | — | (35) | 44.9 | D |
| Banks | | 7,980 | — | 2 | — | 7,982 | — | — | (2) | — | (2) | — | |
| – CRR 1 | 0.000 to 0.053 | 7,913 | — | — | — | 7,913 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 67 | — | — | — | 67 | — | — | — | — | — | — | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | — | — | — | — | — | — | — | — | — | — | — | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | — | — | — | — | — | — | — | — | — | — | — | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | — | — | — | — | — | — | — | — | — | — | — | BB- to B |
| – CRR 6 | 4.915 to 8.860 | — | — | — | — | — | — | — | — | — | — | — | B- |
| – CRR 7 | 8.861 to 15.000 | — | — | — | — | — | — | — | — | — | — | — | CCC+ |
| – CRR 8 | 15.001 to 99.999 | — | — | — | — | — | — | — | — | — | — | — | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 2 | — | 2 | — | — | (2) | — | (2) | 100.0 | D |
| At 31 Dec 2023 | | 60,611 | 14,691 | 2,956 | — | 78,258 | (167) | (371) | (465) | — | (1,003) | 1.3 | |

1 Corporate and commercial lending reported in CRR8 for stage 1 includes £613m related to the UK Bounce Back Loans Scheme with immaterial allowance for ECL.

Wholesale lending – credit risk profile by obligor grade for loan and other credit-related commitments and financial guarantees

| | Basel one-year PD range | Gross carrying amount Stage 1 | Stage 2 | Stage 3 | POCI | Total | Allowance for ECL Stage 1 | Stage 2 | Stage 3 | POCI | Total | ECL coverage | Mapped external rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | % | |
| **Loan and other credit-related commitments** | | **29,868** | **3,465** | **347** | **—** | **33,680** | **(21)** | **(28)** | **(43)** | **—** | **(92)** | **0.3** | |
| – CRR 1 | **0.000 to 0.053** | **2,545** | **—** | **—** | **—** | **2,545** | **—** | **—** | **—** | **—** | **—** | **—** | **AA- and above** |
| – CRR 2 | **0.054 to 0.169** | **7,048** | **241** | **—** | **—** | **7,289** | **(2)** | **(1)** | **—** | **—** | **(3)** | **—** | **A+ to A-** |
| – CRR 3 | **0.170 to 0.740** | **10,667** | **1,196** | **—** | **—** | **11,863** | **(4)** | **(5)** | **—** | **—** | **(9)** | **0.1** | **BBB+ to BBB-** |
| – CRR 4 | **0.741 to 1.927** | **6,180** | **594** | **—** | **—** | **6,774** | **(5)** | **(2)** | **—** | **—** | **(7)** | **0.1** | **BB+ to BB-** |
| – CRR 5 | **1.928 to 4.914** | **3,080** | **756** | **—** | **—** | **3,836** | **(9)** | **(6)** | **—** | **—** | **(15)** | **0.4** | **BB- to B** |
| – CRR 6 | **4.915 to 8.860** | **234** | **337** | **—** | **—** | **571** | **(1)** | **(3)** | **—** | **—** | **(4)** | **0.7** | **B-** |
| – CRR 7 | **8.861 to 15.000** | **110** | **164** | **—** | **—** | **274** | **—** | **(3)** | **—** | **—** | **(3)** | **1.1** | **CCC+** |
| – CRR 8 | **15.001 to 99.999** | **4** | **177** | **—** | **—** | **181** | **—** | **(8)** | **—** | **—** | **(8)** | **4.4** | **CCC to C** |
| – CRR 9/10 | **100.000** | **—** | **—** | **347** | **—** | **347** | **—** | **—** | **(43)** | **—** | **(43)** | **12.4** | **D** |
| **Financial guarantees** | | **571** | **154** | **8** | **—** | **733** | **—** | **—** | **(3)** | **—** | **(3)** | | |
| – CRR 1 | **0.000 to 0.053** | **3** | **—** | **—** | **—** | **3** | **—** | **—** | **—** | **—** | **—** | **—** | **AA- and above** |
| – CRR 2 | **0.054 to 0.169** | **198** | **—** | **—** | **—** | **198** | **—** | **—** | **—** | **—** | **—** | **—** | **A+ to A-** |
| – CRR 3 | **0.170 to 0.740** | **203** | **11** | **—** | **—** | **214** | **—** | **—** | **—** | **—** | **—** | **—** | **BBB+ to BBB-** |
| – CRR 4 | **0.741 to 1.927** | **97** | **41** | **—** | **—** | **138** | **—** | **—** | **—** | **—** | **—** | **—** | **BB+ to BB-** |
| – CRR 5 | **1.928 to 4.914** | **67** | **24** | **—** | **—** | **91** | **—** | **—** | **—** | **—** | **—** | **—** | **BB- to B** |
| – CRR 6 | **4.915 to 8.860** | **1** | **32** | **—** | **—** | **33** | **—** | **—** | **—** | **—** | **—** | **—** | **B-** |
| – CRR 7 | **8.861 to 15.000** | **2** | **33** | **—** | **—** | **35** | **—** | **—** | **—** | **—** | **—** | **—** | **CCC+** |
| – CRR 8 | **15.001 to 99.999** | **—** | **13** | **—** | **—** | **13** | **—** | **—** | **—** | **—** | **—** | **—** | **CCC to C** |
| – CRR 9/10 | **100.000** | **—** | **—** | **8** | **—** | **8** | **—** | **—** | **(3)** | **—** | **(3)** | **37.5** | **D** |
| **At 31 Dec 2024** | | **30,439** | **3,619** | **355** | **—** | **34,413** | **(21)** | **(28)** | **(46)** | **—** | **(95)** | **0.3** | |
| Loan and other credit-related commitments | | 24,714 | 4,226 | 261 | — | 29,201 | (23) | (25) | (41) | — | (89) | 0.3 | |
| – CRR 1 | 0.000 to 0.053 | 840 | 103 | — | — | 943 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 5,920 | 304 | — | — | 6,224 | (1) | (1) | — | — | (2) | — | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 10,210 | 1,320 | — | — | 11,530 | (4) | (5) | — | — | (9) | 0.1 | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 5,359 | 893 | — | — | 6,252 | (5) | (3) | — | — | (8) | 0.1 | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 2,102 | 1,062 | — | — | 3,164 | (11) | (9) | — | — | (20) | 0.6 | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 254 | 204 | — | — | 458 | (2) | (3) | — | — | (5) | 1.1 | B- |
| – CRR 7 | 8.861 to 15.000 | 20 | 205 | — | — | 225 | — | (3) | — | — | (3) | 1.3 | CCC+ |
| – CRR 8 | 15.001 to 99.999 | 9 | 135 | — | — | 144 | — | (1) | — | — | (1) | 0.7 | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 261 | — | 261 | — | — | (41) | — | (41) | 15.7 | D |
| Financial guarantees | | 506 | 292 | 11 | — | 809 | — | — | (2) | — | (2) | | |
| – CRR 1 | 0.000 to 0.053 | 55 | — | — | — | 55 | — | — | — | — | — | — | AA- and above |
| – CRR 2 | 0.054 to 0.169 | 103 | 152 | — | — | 255 | — | — | — | — | — | — | A+ to A- |
| – CRR 3 | 0.170 to 0.740 | 193 | 18 | — | — | 211 | — | — | — | — | — | — | BBB+ to BBB- |
| – CRR 4 | 0.741 to 1.927 | 89 | 15 | — | — | 104 | — | — | — | — | — | — | BB+ to BB- |
| – CRR 5 | 1.928 to 4.914 | 62 | 39 | — | — | 101 | — | — | — | — | — | — | BB- to B |
| – CRR 6 | 4.915 to 8.860 | 3 | 56 | — | — | 59 | — | — | — | — | — | — | B- |
| – CRR 7 | 8.861 to 15.000 | 1 | 10 | — | — | 11 | — | — | — | — | — | — | CCC+ |
| – CRR 8 | 15.001 to 99.999 | — | 2 | — | — | 2 | — | — | — | — | — | — | CCC to C |
| – CRR 9/10 | 100.000 | — | — | 11 | — | 11 | — | — | (2) | — | (2) | 18.2 | D |
| At 31 Dec 2023 | | 25,220 | 4,518 | 272 | — | 30,010 | (23) | (25) | (43) | — | (91) | 0.3 | |

## Commercial real estate

Commercial real estate lending includes the financing of corporate, institutional and high net worth customers who are investing primarily in income-producing assets and, to a lesser extent, in their construction and development. Our exposure mainly comprises the financing of investment assets, the redevelopment of existing stock and the augmentation of both commercial and residential markets to support economic growth.

### Commercial real estate lending

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| **Gross loans and advances** | | |
| Stage 1 | **7,489** | 8,080 |
| Stage 2 | **3,230** | 2,558 |
| Stage 3 | **392** | 348 |
| POCI | **—** | — |
| **At 31 Dec** | **11,111** | 10,986 |
| – of which: forborne loans | **400** | 361 |
| Allowance for ECL | **(162)** | (116) |

**Refinance risk in commercial real estate**

Commercial real estate lending tends to require the repayment of a significant proportion of the principal at maturity. Typically, a customer will arrange repayment through the acquisition of a new loan to settle the existing debt. Refinance risk is the risk that a customer, being unable to repay the debt on maturity, fails to refinance it at commercial rates. We monitor our commercial real estate portfolio closely, assessing indicators for signs of potential issues with refinancing.

### Commercial real estate gross loans and advances maturity analysis

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| < 1 year | **2,780** | 2,784 |
| 1-2 years | **2,633** | 3,540 |
| 2-5 years | **5,289** | 4,244 |
| > 5 years | **409** | 418 |
| **At 31 Dec** | **11,111** | 10,986 |

## Collateral and other credit enhancement held

(Audited)

Although collateral can be an important mitigant of credit risk, it is HSBC UK's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than placing primarily reliance on the collateral and other credit risk enhancements. Depending on the customer's standing and the type of product, facilities may be provided unsecured.

For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of a default, HSBC UK may utilise the collateral as a source of repayment.

Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk. Where there is sufficient collateral, an expected credit loss is not recognised. This is the case for reverse repurchase agreements and for certain loans and advances to customers where the loan to value ('LTV') is very low.

Mitigants may include a charge on borrowers' specific assets, such as real estate or financial instruments. Risk may also be managed by employing other types of collateral and credit risk enhancements, such as second charges, other liens and unsupported guarantees.

**Collateral on loans and advances**

Collateral held is analysed separately for commercial real estate and for other corporate and commercial and financial (non-bank) lending. The following tables include off-balance sheet loan commitments, primarily undrawn credit lines.

The collateral measured in the following tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The values in the tables represent the expected market value on an open market basis, actual values realised are a function of market conditions. No adjustment has been made to the collateral for any expected costs of recovery. Marketable securities are measured at their fair value.

Other types of collateral such as unsupported guarantees and floating charges over the assets of a customer's business are not measured in the following tables. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes.

The LTV ratios presented are calculated by directly associating loans and advances with the collateral that individually and uniquely supports each facility. When collateral assets are shared by multiple loans and advances, whether specifically or, more generally, by way of an all monies charge, the collateral value is pro-rated across the loans and advances protected by the collateral.

For credit-impaired loans, the collateral values cannot be directly compared with impairment allowances recognised. The LTV figures use open market values with no adjustments, actual values realised are a function of market conditions. Impairment allowances are calculated on a different basis, by considering other cash flows and adjusting collateral values for costs of realising collateral as explained further on page 97.

**Commercial real estate loans and advances**

The value of commercial real estate collateral is determined by using a combination of external and internal valuations and physical inspections.

Facilities of a working capital nature are generally not secured by a first fixed charge, and are therefore disclosed as not collateralised.

Wholesale lending: commercial real estate loans and advances including loan commitments by level of collateral (by stage)

(Audited)

| | Gross carrying/nominal amount | | | | | ECL coverage | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | % | % | % | % | % |
| Non Collateralised | **3,410** | **1,462** | **102** | **—** | **4,974** | **0.4** | **3.7** | **27.7** | **—** | **2.0** |
| Fully collateralised by LTV ratio | **7,016** | **2,524** | **243** | **—** | **9,783** | **0.2** | **1.1** | **8.1** | **—** | **0.6** |
| – less than 50% | **2,167** | **585** | **127** | **—** | **2,879** | **0.2** | **1.5** | **8.0** | **—** | **0.8** |
| – 51% to 75% | **3,273** | **1,350** | **56** | **—** | **4,679** | **0.2** | **1.2** | **11.5** | **—** | **0.6** |
| – 76% to 90% | **935** | **583** | **19** | **—** | **1,537** | **0.1** | **0.3** | **10.3** | **—** | **0.3** |
| – 91% to 100% | **641** | **6** | **41** | **—** | **688** | **0.1** | **7.8** | **2.7** | **—** | **0.3** |
| Partially collateralised (A): LTV > 100% | **387** | **449** | **95** | **—** | **931** | **0.3** | **2.9** | **21.1** | **—** | **3.7** |
| – collateral value on A | **223** | **278** | **55** | **—** | **556** | | | | | |
| **Total at 31 Dec 2024** | **10,813** | **4,435** | **440** | **—** | **15,688** | **0.2** | **2.1** | **15.4** | **—** | **1.2** |
| | | | | | | | | | | |
| Non Collateralised | 3,511 | 970 | 77 | — | 4,558 | 0.4 | 2.0 | 12.3 | — | 0.9 |
| Fully collateralised by LTV ratio | 6,981 | 1,970 | 210 | — | 9,161 | 0.1 | 1.3 | 9.4 | — | 0.6 |
| – less than 50% | 2,287 | 397 | 40 | — | 2,724 | 0.2 | 1.9 | 21.6 | — | 0.7 |
| – 51% to 75% | 3,715 | 1,113 | 59 | — | 4,887 | 0.1 | 1.1 | 1.5 | — | 0.3 |
| – 76% to 90% | 496 | 229 | 63 | — | 788 | 0.1 | 1.3 | 14.8 | — | 1.6 |
| – 91% to 100% | 483 | 231 | 48 | — | 762 | 0.1 | 1.6 | 1.9 | — | 0.7 |
| Partially collateralised (A): LTV > 100% | 1,239 | 187 | 64 | — | 1,490 | 0.1 | 1.1 | 34.4 | — | 1.7 |
| *– collateral value on A* | *411* | *134* | *49* | — | *594* | | | | | |
| Total at 31 Dec 2023 | 11,731 | 3,127 | 351 | — | 15,209 | 0.2 | 1.5 | 14.6 | — | 0.8 |

## Other corporate, commercial and financial (non-bank) loans and advances

Other corporate, commercial and financial (non-bank) loans are analysed separately in the following table. For financing activities in other corporate and commercial lending that are not predominantly commercial real estate-oriented, collateral value is not strongly correlated to principal repayment performance.

Collateral values are generally refreshed when an obligor's general credit performance deteriorates and HSBC UK have to assess the likely performance of secondary sources of repayment should it prove necessary to rely on them.

Wholesale lending: other corporate, commercial and financial (non-bank) loans and advances including loan commitments by level of collateral (by stage)

(Audited)

| | Gross carrying/nominal amount | | | | | ECL coverage | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | £m | £m | £m | £m | £m | % | % | % | % | % |
| Non Collateralised | **59,272** | **6,313** | **1,577** | **—** | **67,162** | **0.2** | **2.9** | **24.0** | **—** | **1.0** |
| Fully collateralised by LTV ratio | **14,734** | **2,258** | **769** | **—** | **17,761** | **0.1** | **2.5** | **5.6** | **—** | **0.7** |
| – less than 50% | **5,800** | **947** | **377** | **—** | **7,124** | **0.1** | **2.3** | **2.7** | **—** | **0.6** |
| – 51% to 75% | **5,119** | **881** | **194** | **—** | **6,194** | **0.2** | **3.0** | **7.2** | **—** | **0.8** |
| – 76% to 90% | **1,843** | **292** | **103** | **—** | **2,238** | **0.2** | **2.4** | **15.3** | **—** | **1.2** |
| – 91% to 100% | **1,972** | **138** | **95** | **—** | **2,205** | **0.2** | **2.1** | **3.5** | **—** | **0.4** |
| Partially collateralised (A): LTV > 100% | **5,481** | **839** | **310** | **—** | **6,630** | **0.2** | **1.3** | **10.6** | **—** | **0.8** |
| – collateral value on A | **2,979** | **463** | **200** | **—** | **3,642** | | | | | |
| **Total at 31 Dec 2024** | **79,487** | **9,410** | **2,656** | **—** | **91,553** | **0.2** | **2.7** | **17.1** | **—** | **0.9** |
| | | | | | | | | | | |
| Non Collateralised | 50,581 | 10,097 | 2,062 | — | 62,740 | 0.3 | 2.5 | 18.5 | — | 1.2 |
| Fully collateralised by LTV ratio | 12,571 | 4,468 | 898 | — | 17,937 | 0.2 | 1.7 | 3.4 | — | 0.7 |
| – less than 50% | 4,858 | 1,716 | 465 | — | 7,039 | 0.2 | 1.3 | 1.1 | — | 0.5 |
| – 51% to 75% | 4,324 | 1,750 | 335 | — | 6,409 | 0.2 | 1.8 | 3.6 | — | 0.8 |
| – 76% to 90% | 1,736 | 635 | 81 | — | 2,452 | 0.2 | 2.5 | 13.9 | — | 1.2 |
| – 91% to 100% | 1,653 | 367 | 17 | — | 2,037 | 0.2 | 2.1 | 14.5 | — | 0.6 |
| Partially collateralised (A): LTV > 100% | 4,739 | 1,338 | 227 | — | 6,304 | 0.2 | 1.8 | 17.9 | — | 1.2 |
| – collateral value on A | 2,602 | 847 | 135 | — | 3,584 | | | | | |
| Total at 31 Dec 2023 | 67,891 | 15,903 | 3,187 | — | 86,981 | 0.2 | 2.2 | 14.2 | — | 1.1 |

## Other credit risk exposures

(Audited)

In addition to collateralised lending, other credit enhancements are employed and methods used to mitigate credit risk arising from financial assets. These are described in more detail below:

- Some securities issued by governments, banks and other financial institutions benefit from additional credit enhancement provided by government guarantees that cover the assets;
- Debt securities issued by banks and financial institutions include asset-backed securities and similar instruments which are supported by underlying pools of financial assets; and
- HSBC UK's maximum exposure to credit risk includes financial guarantees and similar contracts granted, as well as loan and other credit-related commitments. Depending on the terms of the arrangement, we may use additional credit mitigation if a guarantee is called upon or a loan commitment is drawn and subsequently defaults.

# Personal lending

We provide a broad range of secured and unsecured personal lending products to meet customer needs. Personal lending includes advances to customers for asset purchases such as residential property where the loans are secured by the assets being acquired. We also offer unsecured lending products such as overdrafts, credit cards and personal loans.

The following table shows the levels of personal lending products in the various portfolios.

**Total personal lending for loans and advances to customers at amortised costs by stage distribution**

| | Gross carrying amount | | | | Allowance for ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **By portfolio** | | | | | | | | |
| First lien residential mortgages | **108,649** | **23,681** | **564** | **132,894** | **(15)** | **(42)** | **(48)** | **(105)** |
| – of which: interest only (including offset) | **16,009** | **1,759** | **44** | **17,812** | **(2)** | **(7)** | **(3)** | **(12)** |
| Other personal lending | **12,789** | **1,290** | **293** | **14,372** | **(102)** | **(203)** | **(121)** | **(426)** |
| – other | **7,215** | **645** | **188** | **8,048** | **(60)** | **(66)** | **(75)** | **(201)** |
| – credit cards | **5,574** | **645** | **105** | **6,324** | **(42)** | **(137)** | **(46)** | **(225)** |
| **At 31 Dec 2024** | **121,438** | **24,971** | **857** | **147,266** | **(117)** | **(245)** | **(169)** | **(531)** |

**Total personal credit-related commitments and financial guarantees by stage distribution**

| | Nominal amount | | | | Allowance for ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **At 31 Dec 2024** | **40,718** | **352** | **38** | **41,108** | **(5)** | **—** | **(2)** | **(7)** |

**Total personal lending for loans and advances to customers at amortised costs by stage distribution**

| | Gross carrying amount | | | | Allowance for ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| By portfolio | | | | | | | | |
| First lien residential mortgages | 103,352 | 25,346 | 594 | 129,292 | (19) | (82) | (60) | (161) |
| – of which: interest only (including offset) | 16,181 | 1,989 | 69 | 18,239 | (3) | (20) | (9) | (32) |
| Other personal lending | 11,413 | 2,249 | 361 | 14,023 | (100) | (302) | (140) | (542) |
| – other | 6,417 | 1,130 | 223 | 7,770 | (57) | (135) | (86) | (278) |
| – credit cards | 4,996 | 1,119 | 138 | 6,253 | (43) | (167) | (54) | (264) |
| At 31 Dec 2023 | 114,765 | 27,595 | 955 | 143,315 | (119) | (384) | (200) | (703) |

**Total personal credit-related commitments and financial guarantees by stage distribution**

| | Nominal amount | | | | Allowance for ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| At 31 Dec 2023 | 40,847 | 576 | 69 | 41,492 | (8) | — | (2) | (10) |

## Mortgage lending

We offer a wide range of mortgage products designed to meet customer needs, including capital repayment, interest-only and offset mortgages. Internal credit policies prescribe the range of acceptable residential property LTV thresholds with the maximum upper limit for new loans set between 50% and 95%, depending on the product type and loan amount.

We have continued to see net growth in our Mortgage business of £3.7bn in 2024. We have maintained strong presence in the market through 2024 while, where appropriate, strengthening our affordability controls and credit policy to reflect the more uncertain economic outlook.

The quality of our mortgage book remained strong, with low levels of impairment allowances. The average LTV ratio on new lending was 69%, compared with an estimated 53% for the overall mortgage portfolio.

**Exposure to interest-only mortgage loans**

The following information is presented for the bank's HSBC branded interest-only mortgage loans. This excludes offset mortgages in first direct and private banking mortgages. At the end of 2024, the average LTV ratio of the interest-only mortgage loans was 44%, and 99% had a LTV ratio of 75% or less.

Of the interest-only mortgage loans that expired in 2022, 82% were repaid within 12 months of expiry with a total of 97% being repaid within 24 months of expiry. For those expired during 2023, 83% were repaid within 12 months of expiry.

The exposure of interest-only mortgage loans at the end of 2024 is £12bn and the maturity profile is as follows:

HSBC interest-only mortgage loans

| | £m |
|---|---|
| Expired interest-only mortgage loans[1] | 102 |
| **Interest-only mortgage loans by maturity** | |
| – 2025 | 131 |
| – 2026 | 197 |
| – 2027 | 291 |
| – 2028 | 411 |
| – 2029–2033 | 2,175 |
| – post 2033 | 8,849 |
| **At 31 Dec 2024** | **12,156** |

1 Includes interest-only mortgages which have reached their contractual maturity date, but were unsettled at the end of 2024.

**Exposure to offset mortgage in first direct**

The offset mortgage in first direct is no longer on sale and is only available for existing offset mortgage customers. It works by grouping together the customer's mortgage, savings and current accounts to offset their credit and debit balances against their mortgage exposure which at the end of 2024 was £3.3bn with an average LTV ratio of 28%.

Personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

(Audited)

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **155,612** | **(127)** | **28,171** | **(384)** | **1,024** | **(202)** | **184,807** | **(713)** |
| Transfers of financial instruments | **(2,718)** | **(205)** | **2,451** | **199** | **267** | **6** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(23,178)** | **65** | **23,178** | **(65)** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **20,464** | **(246)** | **(20,464)** | **246** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(234)** | **3** | **(475)** | **73** | **709** | **(76)** | **—** | **—** |
| – transfers from stage 3 | **230** | **(27)** | **212** | **(55)** | **(442)** | **82** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **153** | **—** | **(61)** | **—** | **(6)** | **—** | **86** |
| Net new and further lending/repayments | **9,262** | **(26)** | **(5,299)** | **111** | **(121)** | **46** | **3,842** | **131** |
| Changes to risk parameters – credit quality | **—** | **88** | **—** | **(60)** | **—** | **(272)** | **—** | **(244)** |
| Changes to models used for ECL calculation | **—** | **(5)** | **—** | **(50)** | **—** | **(18)** | **—** | **(73)** |
| Assets written off | **—** | **—** | **—** | **—** | **(275)** | **275** | **(275)** | **275** |
| **At 31 Dec 2024** | **162,156** | **(122)** | **25,323** | **(245)** | **895** | **(171)** | **188,374** | **(538)** |
| ECL income statement change for the period | | **210** | | **(60)** | | **(250)** | | **(100)** |
| Recoveries | | | | | | | | **61** |
| Others | | | | | | | | **—** |
| **Total ECL income statement change for the period** | | | | | | | | **(39)** |
| | | | | | | | | |
| At 1 Jan 2023 | 148,694 | (121) | 31,406 | (571) | 927 | (189) | 181,027 | (881) |
| Transfers of financial instruments | (891) | (177) | 466 | 260 | 425 | (83) | — | — |
| – transfers from stage 1 to stage 2 | (28,861) | 87 | 28,861 | (87) | — | — | — | — |
| – transfers from stage 2 to stage 1 | 28,024 | (261) | (28,024) | 261 | — | — | — | — |
| – transfers to stage 3 | (99) | 1 | (457) | 109 | 556 | (110) | — | — |
| – transfers from stage 3 | 45 | (4) | 86 | (23) | (131) | 27 | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 188 | — | (88) | — | (2) | — | 98 |
| Net new and further lending/repayments | 7,809 | (34) | (3,701) | 102 | (88) | 10 | 4,020 | 78 |
| Change to risk parameters – credit quality | — | 19 | — | (95) | — | (179) | — | (255) |
| Changes to models used for ECL calculation | — | (2) | — | 8 | — | 1 | — | 7 |
| Assets written off | — | — | — | — | (240) | 240 | (240) | 240 |
| At 31 Dec 2023 | 155,612 | (127) | 28,171 | (384) | 1,024 | (202) | 184,807 | (713) |
| ECL income statement change for the period | | 171 | | (73) | | (170) | | (72) |
| Recoveries | | | | | | | | 59 |
| Others | | | | | | | | — |
| Total ECL income statement change for the period | | | | | | | | (13) |

First lien residential mortgages – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **113,303** | **(19)** | **25,510** | **(82)** | **605** | **(60)** | **139,418** | **(161)** |
| Transfers of financial instruments | **(3,073)** | **(44)** | **2,946** | **43** | **127** | **1** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(21,016)** | **7** | **21,016** | **(7)** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **17,954** | **(47)** | **(17,954)** | **47** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(61)** | **—** | **(170)** | **7** | **231** | **(7)** | **—** | **—** |
| – transfers from stage 3 | **50** | **(4)** | **54** | **(4)** | **(104)** | **8** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **16** | **—** | **(13)** | **—** | **—** | **—** | **3** |
| Net new and further lending/repayments | **7,761** | **(4)** | **(4,655)** | **7** | **(157)** | **7** | **2,949** | **10** |
| Change to risk parameters – credit quality | **—** | **34** | **—** | **(1)** | **—** | **1** | **—** | **34** |
| Changes to models used for ECL calculation | **—** | **—** | **—** | **4** | **—** | **—** | **—** | **4** |
| Assets written off | **—** | **—** | **—** | **—** | **(4)** | **4** | **(4)** | **4** |
| **At 31 Dec 2024** | **117,991** | **(17)** | **23,801** | **(42)** | **571** | **(47)** | **142,363** | **(106)** |
| ECL income statement change for the period | | **46** | | **(3)** | | **8** | | **51** |
| Recoveries | | | | | | | | **—** |
| Others | | | | | | | | **—** |
| **Total ECL income statement change for the period** | | | | | | | | **51** |

First lien residential mortgages – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees (continued)

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| At 1 Jan 2023 | 109,157 | (10) | 28,285 | (113) | 561 | (62) | 138,003 | (185) |
| Transfers of financial instruments | (435) | (44) | 246 | 58 | 189 | (14) | — | — |
| – transfers from stage 1 to stage 2 | (25,875) | 7 | 25,875 | (7) | — | — | — | — |
| – transfers from stage 2 to stage 1 | 25,462 | (50) | (25,462) | 50 | — | — | — | — |
| – transfers to stage 3 | (42) | — | (203) | 17 | 245 | (17) | — | — |
| – transfers from stage 3 | 20 | (1) | 36 | (2) | (56) | 3 | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 19 | — | (10) | — | — | — | 9 |
| Net new and further lending/repayments | 4,581 | (1) | (3,021) | 12 | (144) | 3 | 1,416 | 14 |
| Change to risk parameters – credit quality | — | 19 | — | (52) | — | 12 | — | (21) |
| Changes to models used for ECL calculation | — | (2) | — | 23 | — | — | — | 21 |
| Assets written off | — | — | — | — | (1) | 1 | (1) | 1 |
| At 31 Dec 2023 | 113,303 | (19) | 25,510 | (82) | 605 | (60) | 139,418 | (161) |
| ECL income statement change for the period | | 35 | | (27) | | 15 | | 23 |
| Recoveries | | | | | | | | — |
| Others | | | | | | | | — |
| Total ECL income statement change for the period | | | | | | | | 23 |

Credit cards – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **29,045** | **(49)** | **1,448** | **(166)** | **170** | **(55)** | **30,663** | **(270)** |
| Transfers of financial instruments | **265** | **(89)** | **(323)** | **94** | **58** | **(5)** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(949)** | **31** | **949** | **(31)** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **1,211** | **(112)** | **(1,211)** | **112** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(106)** | **1** | **(131)** | **31** | **237** | **(32)** | **—** | **—** |
| – transfers from stage 3 | **109** | **(9)** | **70** | **(18)** | **(179)** | **27** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **75** | **—** | **(36)** | **—** | **(5)** | **—** | **34** |
| Net new and further lending/repayments | **873** | **(12)** | **(317)** | **62** | **22** | **23** | **578** | **73** |
| Change to risk parameters – credit quality | **—** | **22** | **—** | **(41)** | **—** | **(129)** | **—** | **(148)** |
| Changes to models used for ECL calculation | **—** | **6** | **—** | **(49)** | **—** | **—** | **—** | **(43)** |
| Assets written off | **—** | **—** | **—** | **—** | **(125)** | **125** | **(125)** | **125** |
| **At 31 Dec 2024** | **30,183** | **(47)** | **808** | **(136)** | **125** | **(46)** | **31,116** | **(229)** |
| ECL income statement change for the period | | **91** | | **(64)** | | **(111)** | | **(84)** |
| Recoveries | | | | | | | | **32** |
| Others | | | | | | | | **—** |
| **Total ECL income statement change for the period** | | | | | | | | **(52)** |

Credit cards – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees (continued)

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| At 1 Jan 2023 | 27,303 | (53) | 1,387 | (271) | 138 | (54) | 28,828 | (378) |
| Transfers of financial instruments | (246) | (80) | 121 | 110 | 125 | (30) | — | — |
| – transfers from stage 1 to stage 2 | (1,449) | 33 | 1,449 | (33) | — | — | — | — |
| – transfers from stage 2 to stage 1 | 1,231 | (111) | (1,231) | 111 | — | — | — | — |
| – transfers to stage 3 | (33) | — | (109) | 39 | 142 | (39) | — | — |
| – transfers from stage 3 | 5 | (2) | 12 | (7) | (17) | 9 | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 69 | — | (53) | — | (2) | — | 14 |
| Net new and further lending/repayments | 1,988 | (13) | (60) | 60 | 13 | 2 | 1,941 | 49 |
| Change to risk parameters – credit quality | — | 28 | — | (12) | — | (78) | — | (62) |
| Changes to models used for ECL calculation | — | — | — | — | — | 1 | — | 1 |
| Assets written off | — | — | — | — | (106) | 106 | (106) | 106 |
| At 31 Dec 2023 | 29,045 | (49) | 1,448 | (166) | 170 | (55) | 30,663 | (270) |
| ECL income statement change for the period | | 84 | | (5) | | (77) | | 2 |
| Recoveries | | | | | | | | 30 |
| Others | | | | | | | | (1) |
| Total ECL income statement change for the period | | | | | | | | 31 |

Other personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **13,264** | **(59)** | **1,213** | **(136)** | **249** | **(87)** | **14,726** | **(282)** |
| Transfers of financial instruments | **90** | **(72)** | **(172)** | **62** | **82** | **10** | **—** | **—** |
| – transfers from stage 1 to stage 2 | **(1,213)** | **27** | **1,213** | **(27)** | **—** | **—** | **—** | **—** |
| – transfers from stage 2 to stage 1 | **1,299** | **(87)** | **(1,299)** | **87** | **—** | **—** | **—** | **—** |
| – transfers to stage 3 | **(67)** | **2** | **(174)** | **35** | **241** | **(37)** | **—** | **—** |
| – transfers from stage 3 | **71** | **(14)** | **88** | **(33)** | **(159)** | **47** | **—** | **—** |
| Net remeasurement of ECL arising from transfer of stage | **—** | **62** | **—** | **(12)** | **—** | **(1)** | **—** | **49** |
| Net new and further lending/repayments | **628** | **(10)** | **(327)** | **42** | **14** | **16** | **315** | **48** |
| Change to risk parameters – credit quality | **—** | **32** | **—** | **(18)** | **—** | **(144)** | **—** | **(130)** |
| Changes to models used for ECL calculation | **—** | **(11)** | **—** | **(5)** | **—** | **(18)** | **—** | **(34)** |
| Assets written off | **—** | **—** | **—** | **—** | **(146)** | **146** | **(146)** | **146** |
| **At 31 Dec 2024** | **13,982** | **(58)** | **714** | **(67)** | **199** | **(78)** | **14,895** | **(203)** |
| ECL income statement change for the period | | **73** | | **7** | | **(147)** | | **(67)** |
| Recoveries | | | | | | | | **29** |
| Others | | | | | | | | **—** |
| **Total ECL income statement change for the period** | | | | | | | | **(38)** |

Other personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan commitments and financial guarantees (continued)

| | Non-credit impaired | | | | Credit impaired | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
| | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL | Gross carrying/ nominal amount | Allow-ance for ECL |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| At 1 Jan 2023 | 12,234 | (58) | 1,734 | (187) | 228 | (73) | 14,196 | (318) |
| Transfers of financial instruments | (210) | (53) | 99 | 92 | 111 | (39) | — | — |
| – transfers from stage 1 to stage 2 | (1,537) | 47 | 1,537 | (47) | — | — | — | — |
| – transfers from stage 2 to stage 1 | 1,331 | (100) | (1,331) | 100 | — | — | — | — |
| – transfers to stage 3 | (24) | 1 | (145) | 53 | 169 | (54) | — | — |
| – transfers from stage 3 | 20 | (1) | 38 | (14) | (58) | 15 | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 100 | — | (25) | — | — | — | 75 |
| Net new and further lending/repayments | 1,240 | (20) | (620) | 30 | 43 | 5 | 663 | 15 |
| Change to risk parameters – credit quality | — | (28) | — | (31) | — | (113) | — | (172) |
| Changes to models used for ECL calculation | — | — | — | (15) | — | — | — | (15) |
| Assets written off | — | — | — | — | (133) | 133 | (133) | 133 |
| At 31 Dec 2023 | 13,264 | (59) | 1,213 | (136) | 249 | (87) | 14,726 | (282) |
| ECL income statement change for the period | | 52 | | (41) | | (108) | | (97) |
| Recoveries | | | | | | | | 29 |
| Others | | | | | | | | 1 |
| Total ECL income statement change for the period | | | | | | | | (67) |

### Personal lending – credit risk profile by internal PD band for loans and advances to customers at amortised cost

| | | Gross carrying amount | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **PD range[1]** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **ECL coverage** |
| | **%** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **%** |
| **First lien residential mortgages[2]** | | **108,649** | **23,681** | **564** | **132,894** | **(15)** | **(42)** | **(48)** | **(105)** | **0.1** |
| – Band 1 | **0.000 to 0.250** | **65,282** | **1,174** | **—** | **66,456** | **(6)** | **(2)** | **—** | **(8)** | **—** |
| – Band 2 | **0.251 to 0.500** | **36,307** | **9,189** | **—** | **45,496** | **(6)** | **(8)** | **—** | **(14)** | **—** |
| – Band 3 | **0.501 to 1.500** | **6,379** | **10,720** | **—** | **17,099** | **(2)** | **(17)** | **—** | **(19)** | **0.1** |
| – Band 4 | **1.501 to 5.000** | **518** | **1,985** | **—** | **2,503** | **—** | **(8)** | **—** | **(8)** | **0.3** |
| – Band 5 | **5.001 to 20.000** | **75** | **421** | **—** | **496** | **—** | **(3)** | **—** | **(3)** | **0.6** |
| – Band 6 | **20.001 to 99.999** | **88** | **192** | **—** | **280** | **(1)** | **(4)** | **—** | **(5)** | **1.8** |
| – Band 7 | **100.00** | **—** | **—** | **564** | **564** | **—** | **—** | **(48)** | **(48)** | **8.5** |
| **Credit cards** | | **5,574** | **645** | **105** | **6,324** | **(42)** | **(137)** | **(46)** | **(225)** | **3.6** |
| – Band 1 | **0.000 to 0.250** | **2,395** | **—** | **—** | **2,395** | **(3)** | **—** | **—** | **(3)** | **0.1** |
| – Band 2 | **0.251 to 0.500** | **777** | **—** | **—** | **777** | **(3)** | **—** | **—** | **(3)** | **0.4** |
| – Band 3 | **0.501 to 1.500** | **1,156** | **—** | **—** | **1,156** | **(10)** | **—** | **—** | **(10)** | **0.9** |
| – Band 4 | **1.501 to 5.000** | **1,246** | **—** | **—** | **1,246** | **(26)** | **—** | **—** | **(26)** | **2.1** |
| – Band 5 | **5.001 to 20.000** | **—** | **600** | **—** | **600** | **—** | **(118)** | **—** | **(118)** | **19.7** |
| – Band 6 | **20.001 to 99.999** | **—** | **45** | **—** | **45** | **—** | **(19)** | **—** | **(19)** | **42.2** |
| – Band 7 | **100.00** | **—** | **—** | **105** | **105** | **—** | **—** | **(46)** | **(46)** | **43.8** |
| **Other personal lending (excluding credit cards)** | | **7,215** | **645** | **188** | **8,048** | **(60)** | **(66)** | **(75)** | **(201)** | **2.5** |
| – Band 1 | **0.000 to 0.250** | **1,184** | **1** | **—** | **1,185** | **(1)** | **—** | **—** | **(1)** | **0.1** |
| – Band 2 | **0.251 to 0.500** | **870** | **—** | **—** | **870** | **(1)** | **—** | **—** | **(1)** | **0.1** |
| – Band 3 | **0.501 to 1.500** | **2,555** | **11** | **—** | **2,566** | **(14)** | **—** | **—** | **(14)** | **0.5** |
| – Band 4 | **1.501 to 5.000** | **2,228** | **190** | **—** | **2,418** | **(29)** | **(7)** | **—** | **(36)** | **1.5** |
| – Band 5 | **5.001 to 20.000** | **373** | **317** | **—** | **690** | **(14)** | **(30)** | **—** | **(44)** | **6.4** |
| – Band 6 | **20.001 to 99.999** | **5** | **126** | **—** | **131** | **(1)** | **(29)** | **—** | **(30)** | **22.9** |
| – Band 7 | **100.00** | **—** | **—** | **188** | **188** | **—** | **—** | **(75)** | **(75)** | **39.9** |
| **At 31 Dec 2024** | | **121,438** | **24,971** | **857** | **147,266** | **(117)** | **(245)** | **(169)** | **(531)** | **0.4** |

### Personal lending – credit risk profile by internal PD band for loans and advances to customers at amortised cost (continued)

| | | Gross carrying amount | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PD range[1] | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | ECL coverage |
| | % | £m | £m | £m | £m | £m | £m | £m | £m | % |
| First lien residential mortgages[2] | | 103,352 | 25,346 | 594 | 129,292 | (19) | (82) | (60) | (161) | 0.1 |
| – Band 1 | 0.000 to 0.250 | 67,862 | 1,923 | — | 69,785 | (9) | (6) | — | (15) | — |
| – Band 2 | 0.251 to 0.500 | 31,004 | 9,400 | — | 40,404 | (7) | (13) | — | (20) | — |
| – Band 3 | 0.501 to 1.500 | 4,051 | 11,546 | — | 15,597 | (2) | (35) | — | (37) | 0.2 |
| – Band 4 | 1.501 to 5.000 | 310 | 1,920 | — | 2,230 | — | (17) | — | (17) | 0.8 |
| – Band 5 | 5.001 to 20.000 | 70 | 390 | — | 460 | — | (5) | — | (5) | 1.1 |
| – Band 6 | 20.001 to 99.999 | 55 | 167 | — | 222 | (1) | (6) | — | (7) | 3.2 |
| – Band 7 | 100.00 | — | — | 594 | 594 | — | — | (60) | (60) | 10.1 |
| Credit cards | | 4,996 | 1,119 | 138 | 6,253 | (43) | (167) | (54) | (264) | 4.2 |
| – Band 1 | 0.000 to 0.250 | 2,198 | — | — | 2,198 | (3) | — | — | (3) | 0.1 |
| – Band 2 | 0.251 to 0.500 | 604 | — | — | 604 | (3) | — | — | (3) | 0.5 |
| – Band 3 | 0.501 to 1.500 | 1,312 | 12 | — | 1,324 | (16) | — | — | (16) | 1.2 |
| – Band 4 | 1.501 to 5.000 | 882 | 536 | — | 1,418 | (21) | (35) | — | (56) | 3.9 |
| – Band 5 | 5.001 to 20.000 | — | 533 | — | 533 | — | (112) | — | (112) | 21.0 |
| – Band 6 | 20.001 to 99.999 | — | 38 | — | 38 | — | (20) | — | (20) | 52.6 |
| – Band 7 | 100.00 | — | — | 138 | 138 | — | — | (54) | (54) | 39.1 |
| Other personal lending (excluding credit cards) | | 6,417 | 1,130 | 223 | 7,770 | (57) | (135) | (86) | (278) | 3.6 |
| – Band 1 | 0.000 to 0.250 | 1,308 | — | — | 1,308 | (4) | — | — | (4) | 0.3 |
| – Band 2 | 0.251 to 0.500 | 863 | — | — | 863 | (2) | — | — | (2) | 0.2 |
| – Band 3 | 0.501 to 1.500 | 2,729 | 17 | — | 2,746 | (22) | — | — | (22) | 0.8 |
| – Band 4 | 1.501 to 5.000 | 1,431 | 429 | — | 1,860 | (26) | (19) | — | (45) | 2.4 |
| – Band 5 | 5.001 to 20.000 | 81 | 608 | — | 689 | (3) | (79) | — | (82) | 11.9 |
| – Band 6 | 20.001 to 99.999 | 5 | 76 | — | 81 | — | (37) | — | (37) | 45.7 |
| – Band 7 | 100.00 | — | — | 223 | 223 | — | — | (86) | (86) | 38.6 |
| At 31 Dec 2023 | | 114,765 | 27,595 | 955 | 143,315 | (119) | (384) | (200) | (703) | 0.5 |

1 12-month point in time adjusted for multiple economic scenarios.
2 PD bands do not consider the impact of any management judgemental adjustments on stage or allowances for ECL including the impact of new models not yet formally implemented. For a list of management judgemental adjustments see pages 37 to 38.

Personal lending – credit risk profile by internal PD band for loan and other credit-related commitments and financial guarantees

| | | Nominal amount | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PD range[1] | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | ECL coverage |
| | % | £m | £m | £m | £m | £m | £m | £m | £m | % |
| **Loan and other credit-related commitments** | | **40,412** | **345** | **38** | **40,795** | **(5)** | **—** | **(2)** | **(7)** | **—** |
| – Band 1 | **0.000 to 0.250** | **33,780** | **44** | **—** | **33,824** | **(4)** | **—** | **—** | **(4)** | **—** |
| – Band 2 | **0.251 to 0.500** | **2,109** | **1** | **—** | **2,110** | **(1)** | **—** | **—** | **(1)** | **—** |
| – Band 3 | **0.501 to 1.500** | **2,210** | **4** | **—** | **2,214** | **—** | **—** | **—** | **—** | **—** |
| – Band 4 | **1.501 to 5.000** | **2,051** | **51** | **—** | **2,102** | **—** | **—** | **—** | **—** | **—** |
| – Band 5 | **5.001 to 20.000** | **216** | **207** | **—** | **423** | **—** | **—** | **—** | **—** | **—** |
| – Band 6 | **20.001 to 99.999** | **46** | **38** | **—** | **84** | **—** | **—** | **—** | **—** | **—** |
| – Band 7 | **100.000** | **—** | **—** | **38** | **38** | **—** | **—** | **(2)** | **(2)** | **5.3** |
| **Financial guarantees** | | **306** | **7** | **—** | **313** | **—** | **—** | **—** | **—** | **—** |
| – Band 1 | **0.000 to 0.250** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – Band 2 | **0.251 to 0.500** | **290** | **—** | **—** | **290** | **—** | **—** | **—** | **—** | **—** |
| – Band 3 | **0.501 to 1.500** | **14** | **—** | **—** | **14** | **—** | **—** | **—** | **—** | **—** |
| – Band 4 | **1.501 to 5.000** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – Band 5 | **5.001 to 20.000** | **2** | **7** | **—** | **9** | **—** | **—** | **—** | **—** | **—** |
| – Band 6 | **20.001 to 99.999** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| – Band 7 | **100.000** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **At 31 Dec 2024** | | **40,718** | **352** | **38** | **41,108** | **(5)** | **—** | **(2)** | **(7)** | **—** |

Personal lending – credit risk profile by internal PD band for loan and other credit-related commitments and financial guarantees (continued)

| | | Nominal amount | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PD range[1] | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | ECL coverage |
| | % | £m | £m | £m | £m | £m | £m | £m | £m | % |
| Loan and other credit-related commitments | | 40,543 | 568 | 69 | 41,180 | (8) | — | (2) | (10) | — |
| – Band 1 | 0.000 to 0.250 | 33,636 | 48 | — | 33,684 | (8) | — | — | (8) | — |
| – Band 2 | 0.251 to 0.500 | 2,209 | 1 | — | 2,210 | — | — | — | — | — |
| – Band 3 | 0.501 to 1.500 | 2,628 | 24 | — | 2,652 | — | — | — | — | — |
| – Band 4 | 1.501 to 5.000 | 1,902 | 251 | — | 2,153 | — | — | — | — | — |
| – Band 5 | 5.001 to 20.000 | 130 | 208 | — | 338 | — | — | — | — | — |
| – Band 6 | 20.001 to 99.999 | 38 | 36 | — | 74 | — | — | — | — | — |
| – Band 7 | 100.000 | — | — | 69 | 69 | — | — | (2) | (2) | 2.9 |
| Financial guarantees | | 304 | 8 | — | 312 | — | — | — | — | — |
| – Band 1 | 0.000 to 0.250 | — | — | — | — | — | — | — | — | — |
| – Band 2 | 0.251 to 0.500 | 289 | — | — | 289 | — | — | — | — | — |
| – Band 3 | 0.501 to 1.500 | 14 | — | — | 14 | — | — | — | — | — |
| – Band 4 | 1.501 to 5.000 | — | — | — | — | — | — | — | — | — |
| – Band 5 | 5.001 to 20.000 | 1 | 8 | — | 9 | — | — | — | — | — |
| – Band 6 | 20.001 to 99.999 | — | — | — | — | — | — | — | — | — |
| – Band 7 | 100.000 | — | — | — | — | — | — | — | — | — |
| At 31 Dec 2023 | | 40,847 | 576 | 69 | 41,492 | (8) | — | (2) | (10) | — |

1 12-month point in time adjusted for multiple economic scenarios.

## Collateral on loans and advances

(Audited)

The following table provides a quantification of the value of fixed charges HSBC UK holds over specific assets where it has a history of enforcing, and is able to enforce, collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations, and where the collateral is cash or can be realised by sale in an established market. The collateral valuation excludes any adjustments for obtaining and selling the collateral and, in particular, loans shown as not collateralised or partially collateralised may also benefit from other forms of credit mitigants.

### Personal lending: residential mortgage loans including loan commitments by level of collateral

(Audited)

| | Gross carrying/nominal amount | | | | ECL coverage | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | £m | £m | £m | £m | % | % | % | % |
| Fully collateralised by LTV ratio | **117,879** | **23,789** | **567** | **142,235** | **—** | **0.2** | **8.3** | **0.1** |
| – less than 50% | **48,999** | **12,995** | **340** | **62,334** | **—** | **0.1** | **7.1** | **0.1** |
| – 51% to 70% | **39,117** | **8,126** | **151** | **47,394** | **—** | **0.2** | **9.3** | **0.1** |
| – 71% to 80% | **15,943** | **1,888** | **50** | **17,881** | **—** | **0.4** | **12.0** | **0.1** |
| – 81% to 90% | **12,554** | **730** | **18** | **13,302** | **—** | **0.5** | **11.1** | **0.1** |
| – 91% to 100% | **1,266** | **50** | **8** | **1,324** | **—** | **—** | **12.5** | **0.2** |
| Partially collateralised (A): LTV > 100% | **112** | **12** | **4** | **128** | **—** | **—** | **25.0** | **0.8** |
| – collateral value on A | **87** | **9** | **3** | **99** | | | | |
| **Total at 31 Dec 2024** | **117,991** | **23,801** | **571** | **142,363** | **—** | **0.2** | **8.4** | **0.1** |
| | | | | | | | | |
| Fully collateralised by LTV ratio | 113,064 | 25,495 | 585 | 139,144 | — | 0.3 | 9.6 | 0.1 |
| – less than 50% | 46,502 | 13,470 | 350 | 60,322 | — | 0.2 | 8.0 | 0.1 |
| – 51% to 70% | 38,356 | 8,489 | 161 | 47,006 | — | 0.4 | 9.3 | 0.1 |
| – 71% to 80% | 15,734 | 2,472 | 48 | 18,254 | — | 0.6 | 12.5 | 0.1 |
| – 81% to 90% | 10,050 | 862 | 14 | 10,926 | — | 0.8 | 14.3 | 0.1 |
| – 91% to 100% | 2,422 | 202 | 12 | 2,636 | — | 1.0 | 41.7 | 0.3 |
| Partially collateralised (A): LTV > 100% | 239 | 15 | 20 | 274 | — | — | 15.0 | 1.5 |
| – collateral value on A | 188 | 11 | 17 | 216 | — | | | |
| Total at 31 Dec 2023 | 113,303 | 25,510 | 605 | 139,418 | — | 0.3 | 10.1 | 0.1 |

# Treasury risk

## Overview

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including 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.

Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.

### Approach and Policy

(Audited)

Our objective in the management of treasury risk is to maintain appropriate levels of capital, liquidity, funding, foreign exchange and market risk to support our business strategy, and meet our regulatory and stress testing-related requirements.

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

Our policy is underpinned by our risk management framework. The risk management framework incorporates a number of measures aligned to our assessment of risks for both internal and regulatory purposes. These risks include credit, market, operational, pensions, structural and transactional foreign exchange risk, and interest rate risk in the banking book.

For further details, refer to our Pillar 3 Disclosures at 31 December 2024.

## Treasury Risk Management

### Key developments in 2024

- Completion of the latest Actuarial Valuation of HSBC UK's pension plan concluded in April 2024 and illustrated a strong funding position on all valuation measures. Following this, we have supported refinements to the investment strategy of the defined benefit plan to seek to protect this position.
- The bank continues its delivery efforts against regulatory commitments, including enhancements to regulatory reporting and the implementation of prudential policy changes. We continue to assess the impact of Basel 3.1 following the PRA announcement to delay the implementation until 1 January 2027.
- We have made significant progress in improving our recovery and resolution capabilities in line with the Group’s preferred resolution strategy and regulatory expectations, including the BoE Resolvability Assessment Framework (‘RAF’).
- We further stabilised our banking net interest income through increasing both the size and duration of our structural hedge.

For quantitative disclosures on capital ratios, own funds and RWAs, see pages 66 to 67. For quantitative disclosures on liquidity and funding metrics, see page 67.

### Governance and structure

The CRO is the accountable risk steward, and the Chief Financial Officer is the risk owner, for all treasury risks.

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. Treasury actively manages these risks on an ongoing basis, supported by the HSBC UK Asset and Liability Management Committee (‘ALCO’), overseen by Treasury Risk Management.

Pension risk is overseen by a Pensions RMM chaired by the accountable risk steward.

### Capital, liquidity and funding risk management

**Assessment and risk appetite**

Our capital management approach is underpinned by a Global Capital Risk Policy and supporting frameworks for Resolution Planning and Stress Testing. The policy sets out our approach to determining key capital risk appetites including CET1, total capital, minimum requirements for own funds and eligible liabilities (‘MREL’), and the leverage ratio. Our internal capital adequacy assessment process (‘ICAAP’) is an assessment of the group’s capital position, outlining both regulatory and internal capital resources and requirements resulting from our business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. Our assessment of capital adequacy is driven by an assessment of risks. These risks include credit, market, operational, pensions, insurance, structural foreign exchange, interest rate risk in the banking book and group risk. Climate risk is also considered as part of the ICAAP, and we are continuing to develop our approach. The ICAAP supports the determination of the consolidated capital risk appetite and target ratios, as well as enables the assessment and determination of capital requirements by regulators.

HSBC Holdings provides our MREL, including equity and non-equity capital. These investments are funded by HSBC Holdings’ own equity capital and MREL-eligible debt. MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. In line with our existing structure and business model, HSBC has three resolution groups – the European resolution group (of which HSBC UK forms part), the Asian resolution group and the US resolution group.

We aim to ensure that management has oversight of our liquidity and funding risks at Group and entity level through governance engagements, in line with our risk management framework. We manage liquidity and funding risk in accordance with globally consistent policies, procedures and reporting standards.

We are required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through our internal liquidity adequacy assessment process (‘ILAAP’), which helps to ensure that we have strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the setting of risk appetite. It also assesses our capability to manage liquidity and funding effectively. These metrics are set and managed locally but are subject to global review and challenge to help ensure consistency of approach and application of the Group’s policies and controls.

**Planning and performance**

Capital and Risk-weighted asset ('RWA') plans form part of the annual financial resource plan that is approved by the Board. Capital and RWA forecasts are submitted to the ALCO on a monthly basis, and capital and RWAs are monitored and managed against the plan. The responsibility for global capital allocation principles rests with the Group Chief Financial Officer, supported by the Group Capital Management Meeting. This is a specialist forum addressing capital management, reporting into Holdings ALCO.

Through our internal governance processes, we seek to strengthen discipline over our investment and capital allocation decisions, and to ensure that returns on investment meet management’s objectives. The Group allocates financial resources to businesses and entities to support the execution of our strategy and to meet their regulatory and economic capital needs. We evaluate and manage business returns by using a ROTE measure and a related economic profit measure.

Funding and liquidity plans also form part of the financial resource plan. The Board-level appetite measures are the LCR and net stable funding ratio ('NSFR'), together with an internal liquidity metric. In addition, we use a wider set of measures to manage an appropriate funding and liquidity profile, including legal entity depositor concentration limits, intra-day liquidity, forward-looking funding assessments and other key measures.

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

**Regulatory developments**
The PRA published the second part of its near-final rules on the UK's implementation of Basel 3.1 on 12 September 2024. On 17 January 2025, the PRA revised the implementation date to 1 January 2027 to allow greater clarity regarding implementation in the United States. The RWA output floor is now subject to a three-year transitional provision, helping ensure that the date for full implementation remains 1 January 2030.  We continue to assess the impact of Basel 3.1 standards on our capital, including the recent release of more beneficial PRA near-final rules, developments in the US and associated implementation challenges (including data provision).

Further details can be found in the 'Regulatory developments' section of the HSBC UK's Pillar 3 Disclosures at 31 December 2024.

**Regulatory reporting processes and controls**
We are advancing on our multi-year comprehensive initiative aimed at strengthening our global reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls. This remains a top 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 CET1, LCR and NSFR, as we implement recommended changes and continue to enhance our controls across the process.

**Stress testing and recovery planning**
We use stress testing to inform management of the capital and liquidity needed to withstand internal and external shocks, including a global economic downturn or a systems failure. Stress testing results are also used to inform risk mitigation actions, input into global business performance through tangible equity allocation, and recovery and resolution planning, as well as to re-evaluate business plans where analysis shows capital, liquidity and/or returns do not meet their target.

In addition to a range of internal stress tests, we are subject to supervisory stress testing by the PRA and the Bank of England. The results of regulatory stress testing and our internal stress tests are used when assessing our internal capital and liquidity requirements through the ICAAP and ILAAP. The outcomes of stress testing exercises carried out by the PRA and the Bank of England may inform the setting of regulatory minimum ratios and buffers.

We maintain a recovery plan which sets out potential options management could take in a range of stress scenarios that could result in a breach of capital or liquidity buffers. It sets out the framework and governance arrangements to support restoring HSBC UK to a stable and viable position, and so lowering the probability of failure from either idiosyncratic company-specific stress or systemic market-wide issues. Our recovery plan also provides detailed actions that management would consider taking in a stress scenario should our position deteriorate and threaten to breach risk appetite and regulatory minimum levels. This is to help ensure that we can stabilise our financial position and recover from financial losses in a stress environment.

The HSBC Group, including HSBC UK Bank plc, also has capabilities, resources and arrangements in place to address the unlikely event that HSBC might not be recoverable and would therefore need to be resolved by regulators. In August 2024, the Group and the BoE publicly disclosed the status of HSBC's progress against the BoE's RAF. The BoE acknowledged the significant progress made by HSBC in enhancing its resolvability capabilities.

Overall, HSBC's recovery and resolution planning helps safeguard the Group's financial and operational stability. HSBC has a programme of continuous improvement to maintain and enhance its recovery and resolution capabilities, designed to meet the BoE's expectations and RAF requirements.

## Measurement of interest rate risk in the banking book processes

**Assessment and risk appetite**
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 with an aim to ensure that all material sources of IRRBB are identified, measured, managed, and monitored with policies and frameworks in place.

Our Interest rate risk in the banking book is measured and managed using a combination of economic value and earnings-based measures to help 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 ('BNII') Sensitivity;
- Economic Value of Equity ('EVE') Sensitivity.

### Banking net interest income sensitivity

BNII sensitivity captures the risk to earnings generated from the Banking Book from changes in market implied interest rates over a 12-month period using a static rolling balance sheet assumption.

The static rolling balance sheet assumption is in place to help ensure that IRRBB management actions are focused on risks which can be managed within Treasury. A notable exception to this is related to the price sensitivity of certain interest bearing non-maturity deposits, where we apply dynamic assumptions to help ensuring we capture any potential margin widening or compression over the corresponding shock horizon and rate scenario.

As at 31 December 2024, the 12 month BNII sensitivity for the bank to an immediate 100bps parallel shock to interest rates is £207m for an upwards shock (31 December 2023: £438m), and £(298)m for a downwards shock (31 December 2023: £(524)m). This assessment is based on a static balance sheet with no management actions from Treasury, a 50% pass-on assumption on certain interest bearing deposits and excludes pensions.

### Economic value of equity sensitivity

EVE measures the present value of our banking book assets and liabilities excluding equity, based on a run-off balance sheet. EVE sensitivity measures the impact to EVE from a movement in interest rates, including the assumed term profile of non-maturing deposits having adjusted for stability and price sensitivity. It is measured and reported as part of our internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and external Pillar 3 disclosures.

Further details of HSBC UK's risk management of interest rate risk in the banking book can be found in the HSBC UK's Pillar 3 Disclosures as at December 2024.

### Non-trading portfolios

Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income ('FVOCI') or at amortised cost, debt instruments measured at amortised cost, and certain exposures arising from our insurance operations.
The following table summarises the main risk types where non-trading market risks reside, and the market risk measures used to monitor and limit exposures.

| | Non-Trading risk |
|---|---|
| **Risk types** | – Interest rates<br>– Credit spreads |
| **Risk measure** | Value at risk \| Sensitivity \| Stress testing |

#### Value at Risk of the non-trading portfolios

(Audited)

Value at risk ('VaR') of non-trading portfolios is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into the market risk management of non-trading portfolios to have a complete picture of risk, complementing risk sensitivity analysis.

Our models are predominantly based on historical simulation that incorporates the following features:

- historical market rates and prices, which are calculated with reference to interest rates, credit spreads and the associated volatilities;
- potential market movements that are calculated with reference to data from the past two years; and
- calculations to a 99% confidence level and using a 10-day holding period.

Although a valuable guide to risk, VaR is used for non-trading portfolios with awareness of its limitations. For example:

- The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature. As the model is calibrated on the last 500 business days, it does not adjust instantaneously to a change in market regime.
- The use of a 10-day holding period for risk management purposes of non-trading books is only an indication of exposure and not indicative of the time period required to hedge or liquidate positions.
- The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence.

Non-trading VaR includes non-trading financial instruments held in portfolios managed by Treasury.

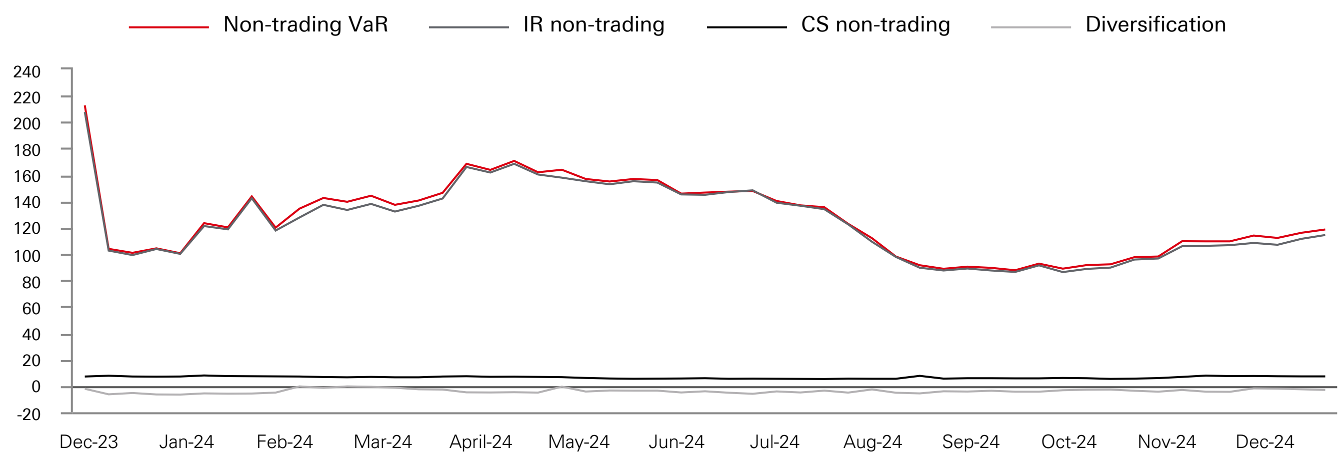
The non-trading VaR as at 31 December 2024 was £118.6m, predominately driven by interest rate risk in the banking book arising from Markets Treasury and ALCM book positions. The non-trading VaR increased during the year, fluctuating between £87.7m and £170.6m with a 2024 average of £124.8m. Markets remained volatile driven by continued geopolitical events and the shifting of the path of central bank interest rate expectations driven by changes to economic growth and inflation outlooks.

The persistent inflation resulted in a higher rate environment by 2Q24 than previously perceived and the Markets Treasury business took advantage of higher yield environment increasing the outright bond holdings on expectations of a turn in the interest rate cycle which began in 3Q24. The Markets Treasury business continued to actively manage their risk throughout the remainder of 2024 with VaR initially reducing in 3Q24 as volatile scenarios from 2022 dropped from the time series before increasing steadily as risk was added in 4Q24.

From 1Q24, we adopted a methodology change to measure non-trading VaR over a 10 day holding period as opposed to 1 day in order to better reflect longer average time horizons in the management of non-trading portfolios compared with trading portfolios. Comparative data at 31 December 2023 has been restated on a 10 day basis accordingly, using a scalar approach that results in restated numbers being approximately three times higher than previously reported 1 day basis numbers.

The daily levels of total non-trading VaR over the last year are set out in the graph below.

#### Daily VaR (non-trading portfolios), 99% 10 day (£m)



The HSBC UK's non-trading VaR for the year is shown in the table below.

Non-trading VaR, 99% 10 day

(Audited)

| | Credit spread £m | Interest Rates £m | Portfolio Diversification[1] £m | Total[2] £m |
|---|---|---|---|---|
| **Balance at 31 Dec 2024** | **7.2** | **114.4** | **(3.1)** | **118.6** |
| Average | **6.4** | **122.3** | **(3.9)** | **124.8** |
| Maximum | **7.9** | **168.4** | | **170.6** |
| Minimum | **5.2** | **86.3** | | **87.7** |
| | | | | |
| Balance at 31 Dec 2023 | 7.1 | 207.7 | (2.2) | 212.7 |
| Average | 5.9 | 178.8 | (2.6) | 182.0 |
| Maximum | 8.6 | 228.2 | | 234.8 |
| Minimum | 4.1 | 132.7 | | 133.4 |

1 Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, interest rate and credit risk together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum occurs on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for this measure.
2 The total VaR is non-additive across risk types due to diversification effects.

# Other risks

## Non-trading book foreign exchange exposures

**Structural foreign exchange exposures**

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

HSBC UK has no such foreign operations.

**Transactional foreign exchange exposures**

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 income ('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 other comprehensive income ('OCI') reserves is managed by Markets Treasury within approved appetite.

# Pension risk management process

In the UK, all future pension benefits are provided on a defined contribution basis. A defined benefit pension plan remains in respect of past service. The defined benefit pension plan is sectionalised seeking to ensure no entities outside the ring-fence participate in the same section as HSBC UK. In the defined contribution pension plan, the contributions that HSBC UK is required to make are known, while the ultimate pension benefit will vary, typically with investment returns achieved by investment choices made by the employee. While the market risk to HSBC UK of the defined contribution plan is low, the bank is still exposed to operational and reputational risk.

In the defined benefit pension plan, the level of pension benefit is known. Therefore, the level of contributions required by HSBC UK will vary due to a number of risks, including:

– investments delivering a return below that required to provide the projected plan benefits;

– the prevailing economic environment leading to corporate failures, thus triggering write-downs in asset values (both equity and debt);

– a change in either interest rates or inflation, causing an increase in the value of the plan liabilities; and

– plan members living longer than expected (known as longevity risk).

Pension risk is assessed using an economic capital model that takes into account potential variations in these factors. The impact of these variations on both pension assets and pension liabilities is assessed using a one-in-200-year stress test. Scenario analysis and other stress tests are also used to support pension risk management.

To fund the benefits associated with HSBC UK's defined benefit plan, HSBC UK makes contributions in accordance with advice from actuaries and in consultation with the plan's trustees where relevant. Contributions are required when the plan's assets are considered insufficient to cover the existing pension liabilities. Contributions are typically reviewed once every three years.

The defined benefit plan invests contributions in a range of investments designed to limit the risk of assets failing to meet the plan's liabilities. Any changes in expected returns from the investments may also change future contribution requirements. In pursuit of these long-term objectives, an overall target allocation is established for asset classes of the defined benefit plan. Bonds and derivatives are allocated to match expected benefit outflows so as to reduce interest, inflation and currency risk. Each permitted asset class has its own benchmarks, such as property valuation indices or liability characteristics. The benchmarks are reviewed on a manager by manager basis at least once every three to five years and more frequently if required by circumstances. The process takes account of changes in the plan's liabilities. The most significant benchmark is the interest rate and inflation hedging programme and this was last reviewed during 2024. The assets are invested in a diverse range of asset classes to reduce any concentration of risk.

In addition, the defined benefit plan holds longevity swap contracts. These arrangements provide long term protection to the defined benefit plan against costs resulting from pensioners or their dependants living longer than initially expected and as at 31 December 2024 cover approximately 50% of the pensioner liabilities.

# Capital Risk in 2024

## Capital overview

Capital adequacy metrics[1]

| | At 31 Dec | |
|---|---|---|
| | **2024** | 2023 |
| **Available capital (£m)** | | |
| Common equity tier 1 capital | **15,059** | 14,224 |
| Tier 1 capital | **17,307** | 16,479 |
| **Total regulatory capital** | **20,500** | 19,772 |
| **Risk-weighted assets (£m)** | | |
| Credit risk | **94,418** | 87,503 |
| Counterparty credit risk | **243** | 236 |
| Market risk | **173** | 132 |
| Operational risk | **15,589** | 13,607 |
| **Total risk-weighted assets** | **110,423** | 101,478 |
| **Capital ratios (%)** | | |
| Common equity tier 1 | **13.6** | 14.0 |
| Total tier 1 | **15.7** | 16.2 |
| **Total capital** | **18.6** | 19.5 |
| **Leverage ratio** | | |
| Total leverage ratio exposure measure (£m) | **297,157** | 270,907 |
| Leverage ratio (%) | **5.8** | 6.1 |

1 Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation (CRR II) as implemented in the UK. Leverage ratios are reported in accordance with the UK leverage rules.

References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation or directive, as onshored into UK law under the EU (Withdrawal) Act 2018, and as may be subsequently amended under UK law.

## Regulatory transitional arrangements for IFRS 9 'Financial Instruments'

We have adopted the regulatory transitional arrangements in CRR II for IFRS 9, including paragraph four of article 473a. Our capital and ratios are presented under these arrangements throughout the table above, including in the end point figures. Without their application, our CET1 ratio would be 13.6%.The IFRS 9 regulatory transitional arrangements allow banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The impact is defined as:

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

Any add-back must be tax affected and accompanied by a recalculation of capital deduction thresholds, exposure and RWAs.

The impact is calculated separately for portfolios using the Standardised Approach ('STD') and IRB approaches. For IRB portfolios, there is no add-back to capital unless loan loss allowances exceed regulatory 12-month expected losses.

In the current period, the add-back to the capital base amounted to £11m under the STD approach. At 31 December 2023, the add-back to the capital base was £30m under the STD approach.

# Own funds

At 31 December 2024, our CET1 capital ratio decreased to 13.6% from 14.0% at 31 December 2023.

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

- a decrease of 1.2% driven by higher RWAs of £8.9bn mainly from growth in lending, increase in operational risk RWAs due to higher average revenue and changes in underlying portfolio mix.
- an increase of 0.8% from £1.4bn of capital generation through profit net of dividends. This was partly offset by £0.6bn increase in capital deductions mainly from excess regulatory expected loss.

Our Pillar 2A requirement at 31 December 2024, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was 3.80% of RWAs, of which 2.1% was required to be met by CET1. Throughout 2024, we complied with the PRA's regulatory capital adequacy requirements.

Own funds disclosure

(Audited)

| | | At | |
|---|---|---|---|
| | | **31 Dec 2024** | 31 Dec 2023 |
| Ref* | | **£m** | £m |
| | **CET1 capital: instruments and reserves** | | |
| 1 | Capital instruments and the related share premium accounts[1] | **—** | 9,015 |
| | – ordinary shares[1] | **—** | 9,015 |
| 2 | Retained earnings[1,2] | **20,154** | 4,198 |
| 3 | Accumulated other comprehensive income (and other reserves)[1,2] | **1,580** | 7,227 |
| 5a | Independently reviewed net profits net of any foreseeable charge or dividend | **1,387** | 1,963 |
| 6 | **CET1 capital before regulatory adjustments** | **23,121** | 22,403 |
| 28 | Total regulatory adjustments to common equity tier 1 | **(8,062)** | (8,179) |
| 29 | **CET1 capital** | **15,059** | 14,224 |
| 36 | Additional tier 1 capital before regulatory adjustments | **2,248** | 2,255 |
| 44 | **Additional tier 1 capital** | **2,248** | 2,255 |
| 45 | **Tier 1 Capital (T1 = CET1 + AT1)** | **17,307** | 16,479 |
| 51 | Tier 2 capital before regulatory adjustments | **3,193** | 3,293 |
| 58 | **Tier 2 capital** | **3,193** | 3,293 |
| 59 | **Total capital** | **20,500** | 19,772 |

* The references identify the lines prescribed in the PRA template, which are applicable and where there is a value.
1 During Q4'24, HSBC UK Bank plc converted its Share premium account (£9bn) into Retained earnings; and capitalised its Group Reorganisation Reserve (£5.2bn) via a bonus issue of ordinary shares which were subsequently cancelled and converted into Retained earnings.The authorised and paid ordinary share capital of the bank at 31 December 2024 was £50,002 (2023: £50,002) ordinary shares of £1.00 each.
2 We have updated the classification between components of shareholders' equity to present 'Retained earnings' in Row 2 and 'Accumulated other comprehensive income (and other reserves)' in Row 3. The comparatives have been aligned.

# Risk-weighted assets

RWA movement by business by key driver

| | Credit risk, counterparty credit risk and operational risk | | | | | |
|---|---|---|---|---|---|---|
| | WPB | CMB | GBM | Corporate Centre | Market risk | Total RWAs |
| | £m | £m | £m | £m | £m | £m |
| **RWAs at 1 Jan 2024** | **34,991** | **64,695** | **533** | **1,127** | **132** | **101,478** |
| Acquisitions and disposals | — | — | — | — | — | — |
| Asset size | **1,248** | **6,216** | **48** | **507** | **38** | **8,057** |
| Asset quality | **695** | **853** | — | — | — | **1,548** |
| Model updates | — | **95** | — | **1** | — | **96** |
| – new/updated models | — | **95** | — | **1** | — | **96** |
| Methodology and policy | **(578)** | **(74)** | **(12)** | **71** | — | **(593)** |
| – internal updates | **(578)** | **(74)** | **(12)** | **71** | — | **(593)** |
| Foreign exchange movement | **(4)** | **(181)** | **5** | **14** | **3** | **(163)** |
| **Total RWA movement** | **1,361** | **6,909** | **41** | **593** | **41** | **8,945** |
| **RWAs at 31 Dec 2024** | **36,352** | **71,604** | **574** | **1,720** | **173** | **110,423** |

Excluding a decrease in RWAs of £0.2bn due to foreign currency translation differences, RWAs increased by £9.1bn during the period, primarily due to lending growth, increase in operational risk RWAs and changes in asset quality. This was partly offset by reduction from methodology and policy.

## Asset size:

Increase in RWAs by £8.1bn mainly in CMB and WPB driven by growth in corporate lending and retail mortgages combined with operational risk RWAs due to higher average revenue.

## Asset Quality:

Increase in RWAs of £1.5bn mainly due to credit migrations and changes in the underlying portfolio mix.

## Methodology and Policy:

Decrease in RWAs in WPB by £0.6bn is mainly due to data quality improvements and risk parameter refinements.

# Leverage ratio

At 31 December2024, our leverage ratio decreased to 5.8% from 6.1% at 31 December 2023.
The key drivers for the decrease in the leverage ratio were:

– a 0.6% decrease due to an increase in exposure of £26bn mainly due to growth in corporate and retail lending combined with increase in financial investments and reverse repurchase agreements as part of balance sheet and interest rate risk management activities.

– a 0.3% increase from £1.4bn of capital generation through profits net of dividend partly offset by £0.6bn increase in capital deductions mainly from excess regulatory expected loss.

# Pillar 3 disclosure requirements

Pillar 3 of the Basel regulatory framework is related to market discipline and aims to make financial services firms more transparent by requiring publication of wide-ranging information on their risks, capital and management. Our Pillar 3 Disclosures at 31 December 2024 is published on HSBC Group's website, www.hsbc.com, under 'Investors'.

# Liquidity and funding risk in 2024

## Liquidity metrics

During 2024, we were above regulatory minimum levels. We maintain sufficient unencumbered liquid assets to comply with regulatory requirements.

We maintain sufficient stable funding relative to the required stable funding assessed using the NSFR.

Our liquidity and funding position for 2024 is analysed in the following sections. The LCR and NSFR ratios presented in the below table are based on average values. The LCR is the average of the preceding 12 months and the NSFR is the average of the preceding four quarters.

HSBC UK liquidity group[1]

| | Average for | |
|---|---|---|
| | **2024** | 2023 |
| LCR (%) | **190** | 201 |
| High-quality liquid assets (£m) | **91,348** | 94,765 |
| Net outflows (£m) | **48,057** | 47,234 |
| NSFR (%) | **154** | 158 |

1 HSBC UK liquidity group comprises: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Trust Company (UK) Limited, HSBC Private Bank (UK) Limited and HSBC Innovation Bank Limited. It is managed as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA.

At 31 December 2024, HSBC UK's LCR was above the regulatory minimum. The 2024 average LCR of 190% continues to reflect a strong liquidity position.

## Liquid assets

We had an average total of £91.3bn of highly liquid unencumbered LCR eligible liquid assets (2023 average: £94.8bn) held in a range of asset classes and currencies. Of these, 97% were eligible as level 1 (2023: 98%).

The below tables reflects the composition of the average liquidity pool by asset type and currency for 2024 and 2023:

| | Liquidity pool £m | Cash £m | Level 1 £m | Level 2 £m |
|---|---|---|---|---|
| Cash and balance at central bank | **54,033** | **54,033** | **—** | **—** |
| Central and local government bonds | **33,114** | **—** | **31,901** | **1,213** |
| Regional government public sector entities | **237** | **—** | **237** | **—** |
| International organisation and multilateral developments banks | **1,815** | **—** | **1,815** | **—** |
| Covered bonds | **1,983** | **—** | **814** | **1,169** |
| Other | **166** | **—** | **—** | **166** |
| **Average Total for 2024** | **91,348** | **54,033** | **34,767** | **2,548** |
| Average Total for 2023 | 94,765 | 76,238 | 16,756 | 1,771 |

| | £ £m | $ £m | € £m | Other £m | Total £m |
|---|---|---|---|---|---|
| **Average Liquidity Pool for 2024** | **77,403** | **8,034** | **3,365** | **2,546** | **91,348** |
| Average Liquidity Pool for 2023 | 85,857 | 6,445 | 1,297 | 1,166 | 94,765 |

## Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. The following 'Funding sources and uses' table provides a consolidated view of how our balance sheet is funded, and should be read in light of the Liquidity and Funding Risk management Framework ('LFRF'), which requires we manage liquidity and funding risk on a stand-alone basis.

The table analyses our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. In 2024, the level of customer accounts exceeded the level of loans and advances to customers. The positive funding gap was predominantly deployed in liquid assets, cash and balances with central banks and financial investments, as required by the LFRF.

### Funding Sources

| (Audited) | 2024 £m | 2023 £m |
|---|---|---|
| **Sources** | | |
| Customer accounts | **280,366** | 268,345 |
| Deposits by banks | **11,144** | 10,843 |
| Repurchase agreements – non-trading | **420** | 4,652 |
| Debt securities in issue | **2,044** | 1,988 |
| Cash collateral, margin, settlement accounts and items in the course of transmission to other banks | **449** | 678 |
| Subordinated liabilities | **15,686** | 14,598 |
| Total equity | **25,971** | 26,070 |
| Other balance sheet liabilities | **4,797** | 5,702 |
| **At 31 Dec** | **340,877** | 332,876 |

### Funding Uses

| (Audited) | 2024 £m | 2023 £m |
|---|---|---|
| **Uses** | | |
| Loans and advances to customers | **217,604** | 211,887 |
| Loans and advances to banks | **7,263** | 7,980 |
| Reverse repurchase agreements – non-trading | **11,776** | 7,686 |
| Cash collateral, margin, settlement and items in the course of collection from other banks accounts | **1,196** | 396 |
| Financial investments | **37,801** | 26,315 |
| Cash and balances with Central banks | **52,276** | 65,719 |
| Other balance sheet assets | **12,961** | 12,893 |
| **At 31 Dec** | **340,877** | 332,876 |

# Market risk

## Overview

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters such as interest rates and foreign exchange rates.

## Market risk management

**Key developments in 2024**

There were no material changes to our policies and practices for the management of market risk in 2024.

## Market risk governance

(Audited)

The following table summarises the market risk measures used to monitor and limit exposures within HSBC UK. Trading portfolio market risk exposures within the entity are not material, primarily because customer facing trades within Markets business are hedged on a one for one basis and trading book within Markets Treasury business is limited to short dated cash management.

| | Trading risk |
|---|---|
| **Risk types** | – Foreign exchange<br>– Interest rates |
| **Risk measure** | VaR \| Sensitivity \| Stress testing |

Market risk is managed and controlled through limits approved by the Group CRO for HSBC Holdings plc. These limits are allocated across business lines and to the Group's legal entities, including HSBC UK. The level of limits set is based on the overall risk appetite for HSBC UK being cascaded down to the individual entities and the limits required for the individual desks to be able to execute their stated business strategy under the HSBC UK ring-fencing Exceptions Policy. The market risk limits are endorsed by HSBC UK RMM. HSBC UK has an independent market risk management and control sub-function, which is responsible for measuring, monitoring and reporting market risk exposures against limits on a daily basis. The Traded Risk function enforces the controls around trading in permissible instruments approved for HSBC UK as well as following completion of the new product approval process.

# Key Risk Management processes

## Monitoring and limiting market risk exposures

Our objective is to manage and control market risk exposures while maintaining a market profile consistent with HSBC UK strategy and risk appetite as well as operating within the HSBC Group's risk appetite for the entity. We use a range of tools to monitor and limit market risk exposures including sensitivity analysis, VaR, and stress testing.

VaR is a technique that estimates the potential losses on market risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and is calculated for all trading positions. HSBC UK does not have a market risk internal model approval and therefore, VaR is not used for any regulatory return but only used for internal management information.

Trading book VaR is not used for calculating capital requirements arising from market risk within HSBC UK. Therefore there is no back testing of trading book VaR.

# Defined benefit pension scheme

Market risk also arises within HSBC UK's defined benefit pension plan to the extent that the obligations of the plan are not fully matched by assets with determinable cash flows. Refer to Pension risk section on page 65 for additional information.

# Climate risk

## Overview

Climate risks have the potential to cause both financial and non-financial impacts for HSBC UK. Financial impacts could materialise, for example, through greater transactional losses and/or increased capital requirements. Non-financial impacts could materialise if our own assets or operations are impacted by extreme weather or chronic changes in weather patterns, or as a result of business decisions to help achieve the HSBC Group's ESG-related ambitions and targets.

Our approach to managing climate risk in HSBC UK is aligned to the HSBC Group's risk management framework, climate risk approach, and three lines of defence model, which sets out how we identify, assess, and manage our risks, and we continue to integrate climate risk within the risk management framework through policies and controls for traditional risks where appropriate.

We have adopted the HSBC Group's ESG-related ambitions and targets to align its financed emissions to net zero by 2050.

## Key Developments.

- HSBC UK's risk appetite statement was approved by the HSBC UK Board and includes the measures we intend to take to meet HSBC Group's ambitions, targets and commitments. In HSBC UK, our measures are focused on the oversight and management of climate risks in the commercial and retail portfolios.
- We completed our 2024 Internal Scenario Analysis exercise and applied an enhanced internal climate stress testing methodology which focussed on generating more granular insights which we are using to improve our understanding of our risk exposures for use in risk management, business decision making, and to meet ongoing regulatory expectations.

**Governance and structure**

The HSBC UK Board takes overall responsibility for our climate strategy, overseeing executive management in developing the approach, execution, and associated reporting.

Our CRO is responsible for climate financial risks under the UK Senior Managers Regime. The CRO attends HSBC UK Board meetings and is a member of the Executive Committee and, where appropriate, provides verbal or written updates on climate risk.

The HSBC UK RMM and the HSBC UK Risk Committee receive updates on our climate risk profile and progress of our HSBC UK climate risk programme.

**Key risk management processes**

We continue to integrate climate risk into the policies, processes and controls across many areas of our organisation, and will update these as our climate risk management capabilities mature over time.

### Challenges

Whilst we have continued to develop our climate risk framework, our remaining challenges include:

- The diverse range of data sources and data structures needed for climate-related reporting creates data accuracy and reliability risks.
- Physical risk assessments are limited by the availability of high-quality data on customer assets and supply chains, and there are also methodology gaps.
- Transition risk assessments are limited by data gaps on customer emissions and transition plan and methodology gaps.
- Our management of net zero alignment risk is limited by known and unknown factors, including the accuracy and reliability of data, merging methodologies, and the need to develop new tools to better inform decision making.

We have taken initial steps to develop our capabilities to monitor our exposure and set risk appetites. Operationalising the HSBC Group's ambition is dependent on data and methodologies maturing over time and requires us to continue developing our internal processes and tools.

# Resilience risk

## Overview

Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security, or safety events, causing the inability to provide critical services to our customers, affiliates, and counterparties. Resilience risk arises from failures or inadequacies in processes, people, systems, or external events.

## Resilience Risk management

Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates and counterparties. Resilience risk arises from failures or inadequacies in processes, people, systems or external events.

**Key developments in 2024**

During the year, we conducted several initiatives to keep pace with geopolitical, regulatory and technology changes and strengthened the management of resilience risk:

- We provided analysis and easy-to-access risk and control information and metrics to enable management to focus on non-financial risks in their decision making and appetite setting.
- We further strengthened our non-financial risk governance and senior leadership.
- We have acted on the findings of an independent review report covering our operational and technology resilience that was presented to the HSBC UK Board in 1Q24.
- We have formed a HSBC UK CAP to oversee Resilience Risk activity across HSBC UK. The UK CAP is governed by the HSBC UK Resilience Oversight Committee ('ROC'). The ROC meets monthly and is accountable for HSBC UK resilience and funding prioritisation with escalation of issues through the HSBC UK RMM and Audit Committee. ROC membership includes the HSBC UK ExCo and the UK COO who chairs the committee.
- We prioritised our efforts on material risks and areas undergoing growth, aligning our strategic priorities to this need.
- We continued to recognise that our customers were impacted by service disruptions, responded to these urgently and aimed to recover with minimum delay. We continued to initiate post-incident review processes to prevent recurrence. Where we identify that investment is required to further enhance HSBC UK operational resilience capabilities, findings are fed into our financial resource planning process, helping to ensure we continue to meet the expectations of our customers and our regulators. The volume of HSBC UK service disruption incidents has reduced in 2024, compared to 2023.

**Governance and structure**

The Enterprise Risk Management target operating model provides a globally consistent view across resilience risks, strengthening our risk management oversight while operating effectively as part of a simplified non-financial risk structure. We view resilience risk across seven sub-risk types related to: third party risk; technology and cyber security risk; transaction processing risk; business interruption and incident risk; data risk; change execution risk; and facilities availability, safety and security risk.

Performance against risk appetite and key escalations for resilience risk are reported to the HSBC UK RMM (chaired by the HSBC UK CRO) and further escalated to the Non-Financial Risk Management Board (chaired by the Group Chief Risk and Compliance Officer) as required, with a further escalation path to the Group RMM and the Group Risk Committee.

**Key risk management process**
Operational resilience is our ability to anticipate, prevent, adapt, respond to, recover, and learn from internal or external disruption, continuing to provide important business services to customers and clients, and minimising any impact on the wider financial system when, not if, disruption occurs. It is key that we remain within impact tolerance for each important business service in the event of a severe but plausible disruption to our operations.

**Business operations continuity**
We continue to monitor the Russia-Ukraine war and the conflict in the Middle East and remain ready to take measures to help ensure business continuity, should the need require. There have been no significant disruptions to our services in HSBC UK as a result of these conflicts. We will continually review plans and responses to minimise any potential impact.

# Regulatory compliance risk

## Overview

Regulatory Compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards. Regulatory Compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.

## Regulatory compliance risk management

**Key developments in 2024**
We continued to make progress with several key regulatory compliance risk management initiatives, including:

- Enhancing our processes, framework and governance capabilities to improve the control and oversight of Consumer Duty outcomes in the UK.
- Refreshing our operating model to move from event driven technology to incorporate Cloud and analytics capability to enhance our oversight abilities in areas such as surveillance.

## Regulatory developments

Financial service providers continue to operate to stringent regulatory and supervisory requirements, particularly in the areas of capital and liquidity management, conduct of business, financial crime, internal control frameworks, the use of models and the integrity of financial services delivery.

Within this intense and complex regulatory agenda, there continues to be ongoing focus by regulators to improve outcomes for banks' customers, particularly vulnerable ones, as well as ensuring market integrity and promoting effective competition. The following are areas of particular focus:

- Higher levels of consumer protection in retail financial markets, following implementation of the Consumer Duty.
- Developments in legal principles or conduct requirements (including in relation to the risk of such developments in one part of the financial industry being construed as applying to other parts of the financial industry, which could lead to legal or regulatory proceedings).
- Seeking to ensure fair treatment of vulnerable customers, including supporting those in financial difficulties.
- Continuing the focus on improving the ring-fencing regime to seek to better serve customers and address future risks.
- Significant initiatives being carried out by government and regulators intended to open up competition, innovation, and access to cash deposit and withdrawal services, which includes reform of the regulations that underpin payment services.
- A number of measures which are being taken to reduce the levels of fraud and tackle fraudulent marketing.
- Continued focus on climate change and other environmental, social and governance concerns, including proposals relating to diversity and inclusion in financial services and implementation of rules relating to disclosures and anti-greenwashing guidance.

The competitive landscape in which HSBC UK operates may be impacted by future regulatory changes and government intervention. We continue to engage in the development of new and amended regulations in the UK to help ensure that the implications have been fully considered by regulators and the wider industry. We also continue to work with the UK authorities and regulatory bodies to discuss any impacts on customers and markets.

## Conduct of business

At HSBC UK our conduct management approach focuses on the impact we have on our customers and the financial markets in which we operate. Customer outcome is at the heart of how we operate, and we aim to act responsibly and with integrity. As part of this we have carried out a number of activities during 2024:

- We sought to understand and address our customers' ongoing needs and continued to champion a strong conduct and customer-focused culture.
- Our customer-focused agenda is demonstrated through the delivery of the Consumer Duty Programme, which is closely linked to our conduct agenda. The second phase of the Programme was implemented in July 2024 and focussed to help ensure good customer outcomes within our closed book of products.
- The third phase of the Consumer Duty Programme is focussed on improving our MI capabilities and will enable HSBC UK to consistently use agreed key customer outcome based indicators in their day-to-day activities, to proactively identify issues and take timely action to deliver good outcomes.
- Conduct management of our vulnerable customer base is high on the regulatory agenda and continues to be an area of focus for the banking industry.
- We implemented the new anti-greenwashing rules applicable across all in-scope products, and the new sustainability disclosure requirements in relation to our in-scope wealth and investment products.
- We continued to embed conduct within our business line processes and through our Non- Financial and Financial Risk Steward activities.
- We focussed on the effectiveness of HSBC UK Conduct Governance, to promote visibility and read across of Conduct issues in all business lines and the efficient, consistent escalation of issues.
- We delivered our latest annual global mandatory training course on conduct to reinforce the importance of conduct for all colleagues and delivered bespoke and focussed conduct training and guidance to all of our risk steward colleagues.

The HSBC UK Board continues to maintain oversight of conduct matters through the Risk Committee.

# Financial crime risk

## Overview

Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. Financial crime risk arises from day-to-day banking operations involving customers, third parties and employees.

## Financial Crime Risk Management

**Key developments in 2024**

We regularly review the effectiveness of our financial crime risk management framework, which includes continued consideration of the complex and dynamic nature of sanctions compliance and export control risk. We continued to make progress with several key financial crime risk management initiatives, including:

- We continued to respond to the financial sanctions and trade restrictions that have been imposed on Russia, including methods used to limit sanctions evasion.
- We took the decision to stop processing payments from Russia and Belarus for all personal banking customers and commenced the closure of accounts for residents of Russia and Belarus.
- We further enhanced our screening and non-screening controls to aid in the identification of potential sanctions risk related to Russia and Belarus, as well as risk arising from export control restrictions.
- Our intelligence-led, Dynamic Risk Assessment ('DRA') tool in HSBC UK continues to perform strongly with a substantially better alert-to-Suspicious Activity Reports ('SAR') conversion rate than the previous system. It seeks to provide more useful information to law enforcement and seeks to improve customer outcomes by substantially reducing unnecessary requests for information.
- We implemented controls and processes to comply with new requirements from the PSR to reimburse victims of authorised payment fraud, with liability shared between sending and receiving firms.
- We made further enhancements to our controls to help identify potential money mule activity and intercept suspected payments in near "real-time" in both WPB and CMB.
- We continued to enhance our fraud technologies whilst maintaining minimum customer friction, replacing our core fraud analytics system, which has led to improved fraud detection.
- We enhanced our surveillance capabilities through the deployment of a proactive internal fraud detection tool which flags unusual staff behaviour for investigation, with appropriate action being taken on cases where internal fraud is substantiated.
- We made enhancements in response to the rapidly evolving and complex global payments landscape and refined our digital assets and currencies strategy.

## Key risk management processes

We will not tolerate knowingly conducting business with individuals or entities believed to be engaged in criminal activity. We require everybody in HSBC UK to play their role in maintaining effective systems and controls to prevent and detect financial crime. Where we believe we have identified suspected criminal activity or vulnerabilities in our control framework, we will take appropriate mitigating action.

We manage financial crime risk because it is the right thing to do to protect our customers, shareholders, staff, the communities in which we operate, as well as the integrity of the financial system on which we all rely. We operate in a highly regulated industry in which the same policy goals are codified in law and regulation.

We are committed to complying with the laws and regulations of all the markets in which we operate and applying a consistently high financial crime standard globally.

We continued to invest in enhancing our operational control capabilities and technology solutions to deter and detect criminal activity. We further strengthened our financial crime risk taxonomy and control libraries and our monitoring capabilities through technology deployments. We developed more targeted metrics, and continued to seek to enhance our governance and reporting.

We are committed to working in partnership with the wider industry and the public sector in managing financial crime risk and we participate in numerous public-private partnerships and information sharing initiatives.

In 2024, our focus remained on measures to improve the overall effectiveness of the global financial crime framework, notably by providing input into legislative and regulatory reform activities in the UK. We did this by contributing to the development of responses to consultation papers focused on how financial crime risk management frameworks can deliver more effective outcomes in detecting and deterring criminal activity.

The HSBC UK Risk Committee provides oversight of financial crime risk matters on behalf of the HSBC UK Board, including matters relating to anti-money laundering, fraud, sanctions, terrorist financing and proliferation financing.

# Model risk

## Overview

Model risk is the risk of inappropriate or incorrect business decisions arising from the use of models that have been inadequately designed, implemented or used, or from models that do not perform in line with expectations and predictions.

Model risk arises in both financial and non-financial contexts whenever business decision making includes reliance on models.

## Key developments in 2024

In 2024, we continued to make improvements in our model risk management processes amid regulatory changes in model requirements.

Initiatives during the year included:

- We updated our 'Model Risk Management Framework to meet the requirements of the PRA 'Model Risk Management principles for banks' which came into force in May 2024. A programme of work is in progress to implement these changes across our model landscape. Key initiatives included in the plan for compliance were achieved in 2024 such as completing a full review of Model Tiering and introducing a new framework to govern and manage the risks associated with Deterministic Quantitative Methods.
- We enhanced our frameworks and controls as climate risk and AI and machine learning models become more embedded in business processes.
- We introduced a new procedure with an aim to ensure any new tool developed using Generative AI would require validation by Model Risk Management before its use.
- Our businesses and functions continued to be more involved in the development and management of models. They continued with an enhanced focus on key model risk drivers such as data quality and model methodology.
- Working with the businesses and functions, Model Risk Control Assessments were refreshed to help ensure they continue to appropriately reflect the Model Risk landscape.
- We further embedded the model risk appetite measures, which are expected to help our businesses and functions manage model risk more effectively.

– We continued the transformation of the Model Risk Management team, with further updates to the model validation processes, including systems and process enhancements. We also made further changes to the model inventory system to provide businesses and functions with improved functionality and more detailed information related to model risk.

### Governance and structure

The HSBC UK Model Risk Committee is chaired by the CRO and provides oversight of model risk. The committee includes senior leaders and risk owners across the lines of business, functions and Risk and focuses on model-related concerns and key model risk metrics.

### Key risk management processes

We use a variety of modelling approaches, including regression, simulation, sampling, machine learning and judgmental scorecards for a range of business applications. These activities include customer selection, product pricing, financial crime transaction monitoring, creditworthiness evaluation and financial reporting. Responsibility for managing model risk is delegated from the RMM to the HSBC UK Model Risk Committee, which is chaired by the CRO. This committee regularly reviews our model risk management policies and procedures, and requires the first line of defence to demonstrate comprehensive and effective controls based on a library of model risk controls provided by Model Risk Management. Model Risk Management also reports on model risk to senior management on a regular basis through the use of risk management information, risk appetite metrics and top and emerging risks.

We regularly review the effectiveness of these processes, including the model oversight forum structure, to help ensure appropriate understanding and ownership of model risk is embedded in the businesses and functions.

# Corporate Governance Report

## Corporate governance statement

The Company, together with the wider Group, is committed to high standards of corporate governance. The Group has a comprehensive range of principles, policies and procedures influenced by the UK Corporate Governance Code with requirements in respect of Board independence, composition and effectiveness to ensure that the HSBC Group is well managed, with appropriate oversight and control. During the year, the Company adhered to these corporate governance principles, policies and procedures, as applicable.

As a subsidiary of HSBC Holdings plc, the Company adopts the HSBC Group's Subsidiary Accountability Framework ('SAF'). The SAF principles set out HSBC Holdings plc's high level expectations for corporate governance arrangements in its subsidiaries. The Board considers the SAF to be sufficiently comprehensive and robust and has, therefore, chosen not to adopt another corporate governance code.

## Role of the Board

The role of the Board of Directors is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for: the long-term success of the Company and delivery of sustainable value to its shareholders; setting and approving the Company's strategy, risk appetite statement and management's capital and operating plans to achieve the strategic objectives.

The Board comprises a majority of independent non-executive directors. The roles of the Chairman and Chief Executive Officer are separate. The Chairman leads the Board and is responsible for its effectiveness and the Chief Executive Officer leads the day-to-day management of the Company and execution of strategy.

During the year, the Board completed its annual effectiveness review. The Board considered the outcome of this review and endorsed actions to further optimise and enhance governance. All enhancements suggested in the 2023 review were considered to have been completed or in the course of being addressed.

In 2024, the Board held seven routine meetings and an additional four ad-hoc meetings to consider matters of a time sensitive nature. The Board received information from management between meetings and Directors have full access to all relevant information on a timely basis, access to the advice of the company secretary and are entitled to obtain independent external advice at the Company's expense.

Details of the Board's engagement may be found in 'Stakeholder engagement' on page 8.

## Culture and values

Through its work, the Board supports the Company's purpose and values outlined on page 6 of the Strategic report by ensuring that the Company conducts its business by treating customers fairly and openly, doing business with the right customers and in the right way, ensuring customers receive good outcomes as required by the Consumer Duty, is a responsible employer, acts responsibly towards the communities in which it operates and considers its other stakeholders.

## Board of Directors

All Directors are subject to annual re-election by the shareholder at the Company's Annual General Meeting ('AGM').

The Directors who served during the year ended 31 December 2024 and up to the date of this report are shown below:

### Dame Clara Furse

#### Chairman and Independent non-executive Director

Chairman of the Chairman's Nominations and Remuneration Committee

**Appointed to the Board:** April 2017

Clara is a non-executive director of Assicurazioni Generali S.p.A. She is a member of the Panel of Senior Advisors to Chatham House and a member of the European Financial Services Round Table. She is Chair of the UK Carbon Markets Forum. Former appointments include: non-executive director of Vodafone Group plc and Amadeus IT Group S.A.; External Member of the Bank of England's Financial Policy Committee; lead independent director of the UK's Department for Work and Pensions; Chief Executive of the London Stock Exchange; Group Chief Executive of Credit Lyonnais Rouse; member of the Shanghai International Financial Advisory Council and non-executive director of Euroclear plc, LCH Clearnet Group Ltd, Fortis SA, Nomura Holdings and the Legal & General Group.

## John David Stuart (known as Ian Stuart)

### Executive Director and Chief Executive Officer

Chairman of the Executive Committee

**Appointed to the Board:** May 2017

Ian has been Chief Executive Officer and director of HSBC UK Bank plc since May 2017 and was a member of HSBC Holdings plc's Group Executive Committee during 2024. From 1 January 2025, he became a member of the Group's Operating Committee. He joined the HSBC Group as a Group General Manager and Head of Commercial Banking Europe in 2014, having previously led the corporate and business banking businesses at Barclays and worked at NatWest and Royal Bank of Scotland for over 20 years. He started his career at the Bank of Scotland and has worked in financial services for over four decades. Ian was awarded the Freedom of the City of London for his services to finance. He is also a non-executive director of UK Finance Limited and a business ambassador for Meningitis Now.

## Marie Claire Baird (known as Claire Baird)

### Executive Director and Chief Financial Officer

Member of the Executive Committee

**Appointed to the Board:** January 2022

Claire was appointed Chief Financial Officer of HSBC UK Bank plc in January 2022 and is a member of the HSBC UK and Global Finance executive committees. Prior to her current role, Claire was Chief Financial Officer of Global Wealth and Personal Banking. Before joining HSBC, Claire spent 18 years with RBS/NatWest Group, most recently as Finance Director for Personal Banking, Deputy Chief Financial Officer for Royal Bank of Scotland (RBS' Scottish banking subsidiary) and as a non-executive director of Coutts & Company (RBS' private bank). Previous roles include Finance Director for Services & Functions, Head of Global Finance Services, and for Ulster Bank (RBS' Irish/Northern Irish subsidiaries), she was Group Financial Controller and Head of Finance, Retail Banking. Claire is a fellow of Chartered Accountants Ireland.

## Abimbola Afolami (known as Bim Afolami)

### Independent non-executive Director

Member of the Risk Committee

**Appointed to the Board:** January 2025

Bim is a corporate lawyer and former Minister, whose career prior to becoming an MP encompassed law and banking. Bim has a depth of experience in policy-making and regulatory processes within financial services. His role as Economic Secretary to the Treasury and City Minister covered a wide brief including banking, asset management, pensions, insurance, private equity, and venture capital, and involved extensive engagement across the City and with regulators. During his years of public service Bim held several roles including Vice Chairman of the Conservative Party, Principal Private Secretary to the Secretary of State for Trade, and the Foreign Secretary. He also sat as Chair of the Renewable and Sustainable Energy Parliamentary Group.

Bim has first-hand experience of HSBC UK, having previously held a role within the Group which included his involvement at the outset of the ring-fencing process. He currently holds an executive role with Acrisure, a US headquartered financial technology and insurance company and works as a patron for the charities Spotlight on Africa and GRIT (Growing Resilience In Teens).

## Simon Calver

### Independent non-executive Director

Member of the Audit Committee

**Appointed to the Board:** April 2023

Simon is the Chair of Marks and Spencer Financial Services plc and an independent non-executive director of Marks and Spencer Unit Trust Management Limited, both wholly owned subsidiaries of the Company. He is also Chair of Vinterior Group Limited. Simon is also a qualified and practicing executive coach. He was previously a Fellow of the Institute of Directors (UK) and a former Entrepreneur of the Year regional winner in the UK. Throughout his career he has led innovation and disruption in major markets, such as the education sector with Riverdeep and entertainment sector as Chief Executive Officer of LoveFilm up to the sale to Amazon in 2011. His former appointments include Chief Executive Officer of Mothercare plc and LoveFilm International, chairman of Fenwick 1882 Limited, Moo Print Ltd, Chemist Direct Ltd, Gousto Ltd, Firefly Learning Ltd, UK Business Angels Association and also a non-executive director of Datalex plc.

## Oliver Corbett

### Independent non-executive Director

Chair of the Audit Committee, Member of the Risk Committee and the Chairman's Nominations and Remuneration Committee

**Appointed to the Board:** January 2024

Oliver joined the Board at the start of 2024 and has been a non-executive director of Allianz (UK) Limited since November 2023. After qualifying as an accountant, Oliver spent 13 years in investment banking in London and New York. He was previously Founding Chief Financial Officer of McGill and Partners and before that held Chief Financial Officer roles at Howden, LCH Clearnet plc and Novae. He has also served as a non-executive director and Audit Chair for Close Brothers Group plc and prior to that Rathbone Brothers Group plc.

## Carolyn Dittmeier

### Independent non-executive Director

Member of the Risk Committee and the Audit Committee

**Appointed to the Board:** October 2024

Carolyn joined the Board in October 2024 and she also currently serves as an independent member of the Board of Eni and Illycaffè and of the Board of Statutory Auditors of Moncler and Bologna University Business School. Her career has included heading Internal Audit of significant enterprises including Poste Italiane and Montedison. In parallel, she served as Vice Chair of the Board of the Global IIA, Chair of the European Confederation of Internal Auditors and IIA Italy. She also launched and led Corporate Governance Services at Klynveld Peat Marwick Goerdeler 'KPMG' (Italy). Carolyn's previous directorships include President of the Board of Statutory Auditors of Assicurazioni Generali as well as independent director of Alpha Bank, Italmobiliare and Autogrill, chairing the Audit and Risk Committee in all cases.

## Jenny Goldie-Scot

### Independent non-executive Director

Member of the Risk Committee

**Appointed to the Board:** July 2022

Jenny is the Chair of Marks and Spencer Unit Trust Management Limited and HSBC Trust Company UK. She is also an independent non-executive director of Marks and Spencer Financial Services plc, all of which are wholly owned subsidiaries of the Company. She has spent the bulk of her career in investment banking operations and finance in senior leadership roles at Morgan Stanley, both in the UK and the US. She has had a specific focus on system and process transformation and her last role was leading a large digital transformation for Google LLC in California. Jenny has previously served on the board of LCH Clearnet plc where she was chair of the Nomination Committee.

## Mridul Hegde CB

### Independent non-executive Director

Chair of the Risk Committee, Member of the Audit Committee and the Chairman's Nominations and Remuneration Committee

Appointed to the Board: February 2018

Mridul is the Chair of HSBC Innovation Bank Limited, a wholly owned subsidiary of the Company. Mridul's former appointments include: Member of Ernst & Young LLP Public Interest and UK Audit Board: non-executive director of the UK Municipal Bonds Agency and member of its Risk and Audit Committee; and senior roles at the Financial Reporting Council and HM Treasury, where she was Director of Financial Stability during the 2008 financial crisis and prior to that, Director of Public Spending.

## Janet Henry

### Non-executive Director

**Appointed to the Board:** November 2022

Janet was appointed as HSBC's Global Chief Economist in August 2015 and is responsible for all of HSBC's economic forecasts and thematic economic research output globally. She is a Governor of the UK's National Institute of Economic and Social Research and a member of the World Economic Forum's Chief Economists Community. Janet joined HSBC in 1996 in Hong Kong where she worked as an Asian economist. She was previously HSBC's Chief European Economist. She is also a director of 3 College Fields Management Company Limited.

## Zoe Knight

### Non-executive Director

**Appointed to the Board:** January 2024

Zoë has global responsibility for the Sustainability Research product across asset classes at HSBC Global Research. She has been advising institutional investors and other stakeholders on equities and climate change for over 25 years. While most of her career has been in capital markets, she has also worked on corporate sustainability strategy for HSBC in the Middle East. An economist by academic background, she has participated in a variety of advisory boards and councils on climate change across the financial services industry, including the UK All Parliamentary Group on Climate Change, the Task Force on Climate Related Financial Disclosures and the Energy Transition Commission.

## Brendan Nelson

### Independent non-executive Director

Member of the Chairman's Nominations and Remuneration Committee

**Appointed to the Board:** January 2025

Brendan joined the Board in January 2025 and is also an independent Non-executive Director of HSBC Holdings plc, where he Chairs the Group Audit Committee and is a Member of the Group's Risk, Technology and Operations, and Nomination & Corporate Governance Committees. He is also Chairman of BP Pension Trustees Limited. Brendan brings UK and international financial and auditing expertise, and significant experience as an audit committee chair of UK-listed companies. He has spent over 25 years as a partner at KPMG LLP, served on the board from 2000 and as Vice Chairman from 2006, until his retirement in 2010. Internationally, he held various senior positions including Global Chairman of the financial services practice. Subsequently, Brendan joined the boards of bp plc and NatWest Group plc where he also served as Chairman of both companies' audit committees. During his career, Brendan was President of the Institute of Chartered Accountants of Scotland, a member of the Financial Reporting Review Panel and a member of the Financial Services Authority's Practitioner Panel. As current Chairman of the Board of BP Pension Fund trustees Ltd, Brendan has received training in ESG considerations for investment decisions and helped set an ambition to be net zero in terms of greenhouse gas emissions from investments by 2050.

## Other Directors that served during the year

**David Lister** – Independent Non-executive Director. Resigned from the Board on 24 April 2024.

**James Coyle** – Independent Non-executive Director. Resigned from the Board on 31 July 2024.

## Company Secretary

Nicola S Black

Appointed May 2017. Resigned 30 September 2024.

Fiona Mackay

Appointed: 1 October 2024

## Board activities during 2024

The Board's key areas of focus during 2024 were aligned to the bank's strategic priorities. In overseeing management's execution against these priorities, the Board considers whether the actions being taken will deliver improvements in customer experience and support our ambition to transform the bank into one that is truly customer-centric:

- Customer – the Board considered the areas for strategic growth in the bank's business. It also received regular updates on the bank's implementation of the FCA's Consumer Duty culminating in the inaugural Consumer Duty Board Report.
- Simple and Agile – the Board reviewed the changes that had been made to enhance IT and Cloud governance, as well as longer-term proposals to adopt the Cloud. Consideration was also given to the bank's IT system and operational resilience.
- Growth – the Board reviewed management's approach to building a future state workforce blueprint for the desired size, shape and skills base of its workforce. It also considered the bank's cultural ambition to create a customer-centric and high performance culture.
- ESG – the Board received an update on progress being made against the bank's Net-Zero Execution Programme.

The Board routinely invites senior management from Risk, Compliance and Legal to Board meetings to support the discharge of its responsibilities. The non-executive Directors meet privately with the Chief Executive Officer ahead of every Board meeting and hold an in-camera session at the end of every meeting to consider the effectiveness of the meeting, the papers and presentations.

The Board met eleven times during 2024.

## Board committees

The Board has established committees to assist it in discharging its responsibilities. Each Board committee operates within Terms of Reference approved by the Board that set out the scope of the delegation and responsibilities, the membership and operation of the committee and its reporting requirements to the Board. The Chairs of the Board committees report to each Board meeting on their activities. Following the Board's approval of revised Terms of Reference for its committees, the most material change related to an expansion of the scope of the Audit Committee's responsibilities in relation to internal controls, with effect from 1 January 2025. This will result in the Audit Committee assuming responsibility for the holistic oversight of the wider internal control environment, reflecting its experience in overseeing internal controls over financial reporting, and supporting HSBC Group's forthcoming responsibility to make a declaration on the effectiveness of material controls under the 2024 UK Corporate Governance Code.

During the year and up to the date of this report, the Board's committees were as follows:

# Audit Committee

## Role

The Audit Committee has been delegated responsibility for oversight of financial reporting related matters, internal financial controls and oversight of HSBC UK's Internal Audit function. All the members of the committee are independent non-executive directors.

## Committee activities during 2024

During the year, the committee reviewed and provided oversight on: the HSBC UK group's financial reporting; the integrity of financial statements and disclosures and management's application of key accounting policies and significant accounting judgements; the bank's progress on improving operational resilience; the transformation plans and cost management; the financial and regulatory reporting control environment; financial performance; liquidity, funding and capital adequacy monitoring; the Company's Financial Resource Plan; the nature and scope of Internal Audit reviews; the effectiveness of the internal financial reporting control systems; the effectiveness of the Internal Audit function; and the external audit process.

To support the discharge of its responsibilities, the committee routinely invites senior management from Finance, Internal Audit and the External Auditor to its meetings. The committee also meets separately with the External Audit Partner and Internal Audit at least twice each year without any management present.

The committee met seven times in 2024.

# Risk Committee

## Role

The Risk Committee has been delegated responsibility for oversight and monitoring of risk related matters impacting the Company; risk governance; and internal control systems (other than internal financial control systems). All the members of the committee are independent non-executive directors.

## Committee activities during 2024

During the year, the committee has, amongst other matters: provided oversight of risk-related matters including financial and non-financial risk; assessed the Company's risk profile and how risks are mitigated and controlled; considered current and forward-looking risk exposures; considered the Company's risk appetite and tolerance to inform the Company's strategy and business plans and made recommendations to the Board; reviewed the Company's Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process and stress testing and made recommendations, as appropriate, to the Board; considered the risk management framework and effectiveness of the non-financial internal control systems; assessed data risk; reviewed reports from Compliance and Legal; received updates on the FCA's Consumer Duty; and considered the effectiveness of the CRO and risk management function.

The committee routinely invites senior management from Risk, Compliance, Finance, Legal, Internal Audit and the External Auditor to support the discharge of its delegated responsibilities. It also meets twice a year in a private session with each of the CRO, Internal Auditor and External Audit Partner without any management present.

The committee met six times in 2024.

# Chairman's Nominations and Remuneration Committee

## Role

The Chairman's Nominations and Remuneration Committee has been delegated responsibilities from the Board in relation to nominations and remuneration for the Company and its subsidiaries. The committee keeps the composition of the Board and its committees under constant review and strives to ensure that the membership, both individually and collectively, has the skills, knowledge and experience necessary to oversee, challenge and support management in the achievement of the bank's strategic and business objectives. The committee also ensures that HSBC UK's Board Diversity and Inclusion Policy ("Policy") is taken into consideration in the succession planning, nomination, selection, operation and evaluation of the Board. The Policy sets out an ambition of 33% of the Board to be female and to have a minimum of one Board Director from an ethnic minority background. The current composition of the Board meets these targets. All the members of the committee are independent non-executive directors.

## Committee activities during 2024

In undertaking its responsibilities, the committee has, amongst other things, during the year: considered the Board succession plan; reviewed and recommended changes to the Board's structure, size and composition, including skills, knowledge and diversity of the Board; assessed the independence of non-executive Directors by reference to the criteria in legislation and regulation and, in particular, the PRA Rulebook for Ring-fenced Bodies; and ensured that the remuneration framework and pay review decisions are made in line with the business strategy, objectives, values and long-term interests of the Company.

The committee regularly invites the Chief Executive Officer and senior management in the People function to attend meetings to support the discharge of its delegated responsibilities.

The committee met eight times during 2024.

# Executive Committee

## Role

In 2024, the Board delegated the management and day-to-day running of the Company to the Executive Committee which exercised all the powers, authorities and discretions of the Board in accordance with such policies and directions as the Board or HSBC Group may from time to time determine. The Executive Committee operated as a general management committee with the Chair being the Chief Executive Officer. Membership comprised the Executive Directors and the Chief Executive Officer's senior management team.

From February 2025, the Board has demised the Executive Committee and delegated authority to the CEO for the management and day-to-day running of the Company. The CEO will be supported in the performance of his duties by the establishment of an Operating Committee.

## Committee activities during 2024

To support this committee in discharging its responsibilities, it has sub-delegated specific responsibilities to other committees or meetings of executive management. There is a regular RMM of the Executive Committee, chaired by the CRO, to establish, maintain and periodically review the policy and guidelines for the management of risk within the group. The RMM also considers financial crime risk management to ensure effective enterprise wide management of financial crime risk within the group and to support the Chief Executive Officer in discharging his financial crime risk responsibilities.

The committee met eight times in 2024.

## Conflicts of interest and indemnification of Directors

The Company's Articles of Association give the Board the authority to approve Directors' actual conflicts and potential conflicts of interest.The Board has adopted a Conflicts of Interest policy and procedures for considering and authorising conflicts. A review of authorised situational conflicts, including the terms of authorisation, is undertaken by the Board annually.

In accordance with the Companies Act 2006 and the Company's Articles of Association, all directors are entitled to be indemnified out of the assets of the Company in respect of claims from third parties that may arise in connection with the performance of their functions. Such qualifying third party indemnity provisions have been in place during the financial year under review, and remain in place, but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance.

## Internal control

The Board is responsible for establishing a framework of controls to enable the assessment and management of risk and sets the Company's Risk Appetite Statement. This responsibility is discharged through reviewing the effectiveness of risk management and internal control systems and by determining the appetite and tolerance levels for the types of risks the Company is willing to take to achieve its strategic objectives for its long-term success and the benefit of its stakeholders. For more information, please refer to 'Internal Control' in 'How we manage our risks' section on page 17.

## Employment of people with a disability

HSBC UK strongly believes in providing equal opportunities for all employees. The employment of people with a disability is included in this commitment. The recruitment, training, development and promotion of people with a disability are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with us, efforts are made to continue their employment. Where necessary, we will provide appropriate training, facilities and equipment to ensure that barriers to work are removed for colleagues. Continuous work is done to ensure individual support is provided to make home office adjustments. Further information on Diversity and Inclusion is included on page 7.

## Auditor

PricewaterhouseCoopers LLP ("PwC") is the external auditor to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's auditor. A resolution proposing the reappointment of PwC as the Company's auditor and giving authority to the Audit Committee to determine its remuneration will be submitted to the forthcoming AGM.

## Statement on Going Concern

The Board, having made appropriate enquiries, is satisfied that the group as a whole has adequate resources to continue operations for a period of at least 12 months from the date of this report, and it, therefore, continues to adopt the going concern basis in preparing the financial statements.

In making their going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions including: profitability; cash flows; capital requirements; and capital resources. These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following uncertain inflation, rapidly changing interest rates, and disrupted supply chains as a result of the Russia-Ukraine war and conflict in the Middle East. They also considered other top and emerging risks, including climate change, as well as from the related impacts on profitability, capital and liquidity.

Further information relevant to the assessment is provided in the Strategic report and the Report of the Directors, in particular:

- A description of the group's strategic direction;
- A summary of the group's financial performance and a review of performance by business;
- Reports and updates regarding regulatory and internal stress testing;
- The group's approach to capital management and its capital position; and
- The top and emerging risks facing the group, as appraised by the Directors, along with details of the group's approach to mitigating those risks and its approach to risk management in general.

The objectives, policies and processes for managing credit, liquidity and market risk are set out in the 'Risk section' of the 'Report of the Directors' on pages 16 to 77.

# Directors' Report Disclosures table

The following table sets out the disclosures required by the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as updated by Companies (Miscellaneous Reporting) Regulations 2018) and other applicable regulations, which are incorporated by reference in this Directors' Report:

| | **Page** |
|---|---|
| Stakeholder Engagement | Stakeholder engagement and Section 172(1) on page 8 |
| Employee Engagement | Stakeholder engagement and Section 172(1) on page 8 |
| Diversity & Inclusion | Strategic report 'ESG update' on page 7 and Corporate Governance Report on page 72 |
| Results and Dividends | Financial summary on pages 10 to 12 and Note 6 of the Financial statements on page 109 |
| Segmental Analysis | Strategic report on pages 10 to 12 and Note 1.1(f) of the Financial statements on page 95 |
| Future Developments | Strategic report 'Our purpose, values and strategy' on pages 6 to 7 |
| Share Capital | Note 23 of the Financial statements on page 128 |
| Risk Factors | Report of the Directors on pages 16 to 78 |
| Directors' Emoluments | Note 3 of the Financial statements on page 102 |
| Opportunities and Threats | Strategic report on pages 6 to 7 and Risk report on pages 16 to 71 |
| Directors | Corporate Governance Report on page 72 |
| Subsidiaries and Joint Ventures | Note 29 of the Financial statements on pages 132 to 133 |
| Director Indemnities | Corporate Governance Report on page 76 |
| Post Balance Sheet Events | Note 28 of the Financial statements page 132 |

The Report of the Directors comprising pages 16 to 78 was approved by the Board on 18 February 2025 and is signed on its behalf by:

Fiona Mackay
**Company Secretary**
HSBC UK Bank plc

Registered number 9928412

# Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report, Report of the Directors and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards. In preparing the group and company financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and IFRSs as issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' confirmations**
Each of the directors, whose names and functions are listed in Corporate Governance Report confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities and financial position of the group and company, and of the profit of the group; and
- the Strategic report and Report of the Directors include a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors’ report is approved:

- so far as the director is aware, there is no relevant audit information of which the group’s and company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group’s and company’s auditors are aware of that information.

Approved by the Board on 18 February 2025 and signed on its behalf by:

Fiona Mackay
**Company Secretary**
HSBC UK Bank plc

Registered number 9928412

# Independent auditors’ report to the members of HSBC UK Bank plc

## Report on the audit of the financial statements

### Opinion

In our opinion, HSBC UK Bank plc’s group financial statements and parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2024 and of the group’s profit and the group’s and parent company’s cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the "Annual Report"), which comprise:

- the consolidated and HSBC UK Bank plc balance sheets as at the 31 December 2024;
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and HSBC UK Bank plc statements of changes in equity;
- the consolidated and HSBC UK Bank plc statements of cashflows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1.1(a) to the financial statements, the group and parent company, in addition to applying UK-adopted international accounting standards, have also applied International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the group and parent company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (''ISAs (UK)'') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in Note 4, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

### Our audit approach

#### Overview

**Audit scope**

- HSBC UK Bank plc is a member of the HSBC Group, the ultimate parent company of which is HSBC Holdings plc. HSBC UK Bank plc operates in the United Kingdom.
- We performed a full scope audit of the significant component, namely HSBC UK Bank plc (parent company). For non-significant components, we performed risk assessment procedures to confirm no additional procedures were required in line with our conclusions drawn from our scoping assessment.

**Key audit matters**

- Expected credit loss ('ECL') provision for loans and advances (group and parent).
- Valuation of the defined benefit obligation (group and parent).

**Materiality**

- Overall group materiality: £282m (2023: £268m) based on 5% of profit before tax (2023: adjusted profit before tax).
- Overall parent company materiality: £267.5m (2023: £249m) based on 5% of profit before tax (2023: adjusted profit before tax), capped at the level which is used for the audit of the company as a component of the overall group.
- Performance materiality: £211m (2023: £201m) (group) and £200.5m (2023: £187m) (parent company).

**The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

**Key audit matters**

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The acquisition of HINV (formerly Silicon Valley Bank UK Limited), which was a key audit matter last year, is no longer included because of the completion of the HINV acquisition in the previous year. Otherwise, the key audit matters below are consistent with last year.

Expected credit loss ('ECL') provision for loans and advances

| Key audit matter | Matters discussed with the Audit Committee |
|---|---|
| Determining ECL involves management judgement and is subject to a high degree of estimation uncertainty.<br>Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL.<br>Assumptions were made in determining economic scenarios and their probability weightings (specifically the central and downside scenarios given these have the most material impact on ECL) and in determining the estimated loss for the larger individually assessed wholesale Stage 3 cases, specifically around cash flow assumptions, including timing of cash flows and where applicable, valuation of collateral. The level of estimation uncertainty and judgement in these areas is elevated as a result of uncertainties in the macroeconomic and geopolitical environment and the higher interest rate environment.<br>The modelling methodologies used to estimate ECL are developed using historical experience. We assess the impact of limitations in these methodologies when forecasting the extent and timing of future customer defaults or when responding to emerging risks, such as climate risk. The focus of our assessment of the impact of climate risk on ECL was to evaluate management’s risk assessment process for identifying, quantifying and concluding that the impact of climate risk on ECL for the year end was immaterial. | We reported to the Audit Committee our observations covering governance and controls over ECL, the assumptions used and the modelling methodologies implemented by management in determining ECL, with a significant focus on the uncertain prevailing macroeconomic conditions. Our observations regarded:<br>– the severity of economic scenarios, and their related probability weightings;<br>– conclusions over significant assumptions used to estimate the discounted cash flow projections for larger individually assessed credit impaired wholesale exposures; and<br>– the disclosures made in relation to ECL. |

**How our audit addressed the key audit matter**

We assessed the design and effectiveness of governance and controls over the estimation of ECL. We observed management’s review and challenge governance forums for (1) the determination of economic scenarios and their probability weightings, and (2) the assessment of ECL for Retail and Wholesale portfolios.

We also tested controls over:

- model validation and monitoring;
- credit reviews that determine credit risk ratings (‘CRRs’) for wholesale customers;
- the input of critical data into source systems and the flow and transformation of critical data from source systems to impairment models; and
- the approval of significant individual impairments relating to high value wholesale credit-impaired exposures.

We involved our economic experts in assessing the significant assumptions made in determining the severity and probability weighting of economic scenarios. These assessments considered the sensitivity of ECLs to variations in the severity and probability weighting of economic scenarios. We involved our modelling specialists in assessing the appropriateness of the significant assumptions and methodologies used for ECL models.

We independently re-performed the calculations for a sample of those models. In respect to a sample of larger individually assessed credit-impaired wholesale exposures, we assessed the significant assumptions used to estimate the discounted cash flow projections, and where appropriate we involved experts to assess the underlying collateral or business valuations. We further considered whether the judgements made in selecting the significant assumptions would indicate possible management bias.

We evaluated management’s risk assessment in respect of the impact of climate change on the ECL provision, including involving our modelling specialists to evaluate the stress testing and scenario analysis methodology used and sensitising key assumptions. Finally, we tested the audited Credit Risk disclosures made in the Annual Report.

**Relevant references in the Annual Report and Accounts 2024**

Audited credit risk disclosures, Note 1.2(d): Financial instruments measured at amortised cost and Note 1.2(g): Impairment of amortised cost and FVOCI financial assets.

Key audit matter

| Valuation of the defined benefit pension obligation | Matters discussed with the Audit Committee |
|---|---|
| The Group operates a defined benefit pension scheme, which relates to HSBC Bank (UK) pension scheme ('the principal plan').<br>The present value of the scheme obligation is materially sensitive to a number of actuarial assumptions. We consider the discount rate, inflation and mortality rates to be the most significant assumptions used in determining the defined benefit obligation. Changes in these assumptions can have a material impact on the valuation due to the long duration of the pension liabilities and as such the valuation is considered to be highly judgemental.<br>Management performs a review of the valuation methodology and assumptions each year using their actuarial experts. The assumptions are updated to reflect changing market practice and management's future outlook. The valuation methodology uses a number of market-based inputs and other financial and demographic assumptions. | We discussed the significant assumptions used by management to determine the value of the defined benefit obligation including the results of the work performed by our actuarial experts. |

**How our audit addressed the key audit matter**

We confirmed our understanding of the Group's third-party actuary's methodologies and key assumptions adopted in calculating the valuation of the defined benefit obligation and reviewed their actuarial report. We considered the independence, objectivity and competence of the third-party actuary engaged by management to perform their valuation.

We tested controls in place over the methodologies and the significant assumptions, including those in relation to the use of management's experts.

We engaged our actuarial experts to understand the judgements made by management and their actuarial expert in determining the discount rate, inflation rate and mortality rates, and comparing these assumptions to independently compiled expected ranges based on market observable indices and the knowledge and opinions of our experts.

We evaluated the appropriateness of the pension disclosures within the financial statements, including the disclosure regarding the sensitivity of assumptions.

**Relevant references in the Annual Report and Accounts 2024**

Note 1.2(h): Employee compensation and benefits.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The risks that HSBC faces are diverse, with the interdependencies between them being numerous and complex. In performing our risk assessment, we engaged with a number of stakeholders to ensure we appropriately understood and considered these risks and their interrelationships. This included stakeholders within HSBC and our own experts within PwC. This engagement covered external factors across the geopolitical, macroeconomic, regulatory, and accounting landscape, and the impact of climate change risk. It also covered the strategy and transformation-driven internal environment at HSBC.

HSBC UK Bank plc is structured into three divisions which are Wealth and Personal Banking, Commercial Banking and Global Banking and Markets. The divisions operate across a number of subsidiary entities in the United Kingdom. The consolidated financial statements are an aggregation of the subsidiary entities ('reporting units'). Each reporting unit submits their financial information to the group which is aggregated within the group's main consolidation and financial reporting system.

The risks of material misstatement can be reduced to an acceptable level by testing the entities that are significant due to their size and those that drive particular significant risks identified as part of our risk assessment. We continually assessed risks and changed the scope of our audit where necessary.

As a result of our group scoping, we determined that an audit of the complete financial information of HSBC UK Bank plc (parent company) was necessary, owing to its financial significance and risks.

We then considered the significance of other reporting units in relation to primary statement account balances. In doing this we also considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). For the remaining reporting units, the risk of material misstatement was mitigated through group audit procedures including testing of entity level controls, IT general controls and subsidiary level risk assessment analytical review procedures.

Additional audit procedures were performed on certain group-level account balances.

Certain balances were audited by the PwC HSBC Holdings plc Group engagement team over Group level accounts. HSBC has entity level controls that have relevance across the Group. They also operate other global and regional governance and controls over aspects of financial reporting, such as those operated by the Global Risk function for expected credit losses. A significant amount of IT and operational processes and controls relevant to financial reporting are undertaken in operations centres run by Digital Business Services ('DBS'). Whilst these operations centres are not separate components, the IT and operational processes and controls are relevant to the financial information of HSBC UK Bank plc. Financial reporting processes and controls are also performed centrally in HSBC UK Bank plc's finance team, including the impairment assessment of investment in subsidiaries, the consolidation of the HSBC UK Bank plc's results, the preparation of financial statements, and certain management oversight controls relevant to financial reporting.

HSBC Holdings plc group-wide processes or processes in DBS and Finance Operations are subject to specified audit procedures. These procedures primarily relate to testing of IT general controls, forward looking economic scenarios for ECL, operating expenses, intangible assets, valuation of financial instruments, intercompany eliminations, reconciliations, and consolidation as well as payroll. For these areas, we directed and provided oversight of the audit work performed by PwC teams in the UK or overseas, supplemented by our own testing. This audit work, together with risk assessment analytical review procedures and assessing the outcome of local external audits, also addressed the risk of material misstatement for balances in entities that were not part of the significant component.

For the parent company, the group audit engagement partner was also the partner overseeing the audit work performed.

For the parent company, we determined our scope of work using our risk assessment and parent company materiality level. Based on these, we assessed the level of testing required on each financial statement line item in order to be able to give an opinion on the parent company financial statements. We utilised work performed over the HSBC UK Bank plc reporting unit as part of the group audit, performing further work where necessary, and testing parent company balances such as investments in subsidiaries.

**The impact of climate risk on our audit**
In considering the impact of climate risk on our audit, we:

– Made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk.

– Evaluated and challenged management's assessment of the impact of climate change risk, which includes the potential impact on ECL, classification and measurement of financial instruments and going concern assumption.

– Read the disclosures in relation to climate risk made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the group financial statements and our knowledge from our audit. Our responsibility over other information is further described in the Reporting on other information section of our report.

Our procedures did not identify any material impact as a result of climate risk on the group's and parent company's financial statements.

**Materiality**
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | **Financial statements - group** | **Financial statements - parent company** |
|---|---|---|
| Overall materiality | £282m (2023: £268m) | £267.5m (2023: £249m) |
| How we determined it | 5% of profit before tax | 5% of profit before tax |
| Rationale for benchmark applied | Profit before tax (group and parent) is the primary measure used by shareholders in assessing the performance of the group and the parent company. Parent company materiality has been capped at the level which is used for the audit of the company as a component of the overall group.<br><br>The benchmark used in 2023 was adjusted profit before tax. The adjusted profit before tax considered the gain on bargain purchase related to the acquisition of HSBC Innovation Bank Limited as a one-off transaction to be unrelated to the underlying performance of the group and it is considered irrelevant in 2024. | |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £14.1m – £211m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £211m (2023: £201m) for the group financial statements and £200.5m (2023: £187m) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £14.1m (group audit) (2023: £13m) and £13m (parent company audit) (2023: £12m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

– Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risks (i.e. strategy execution) and external risks (i.e. macroeconomic conditions).

– Understanding and evaluating the group's financial forecasts.

– Understanding and evaluating credit agency ratings and actions.

– Understanding and evaluating the group's stress testing of liquidity and regulatory capital, including the severity of the stress scenarios that were used.

– Reading and evaluating the adequacy and appropriateness of the disclosures made in the financial statements in relation to going concern.

Based on the work performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

# Responsibilities for the financial statements and the audit

**Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of financial crime laws and regulations and regulatory compliance, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries in relation to cost targets, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Review of correspondence with and reports from regulators, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').
- Review of reporting to the Audit Committee and the Risk Committee in respect of compliance and legal matters.
- Enquiry of management and review of internal audit reports, insofar as they related to the financial statements.
- Obtaining legal confirmations from legal advisors relating to material litigation matters.
- Assessing matters reported on the group's whistleblowing programmes and the results of management's investigation of such matters, insofar as they related to the financial statements.
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the determination of expected credit losses, and the valuation of defined benefit pensions obligations.
- Obtaining confirmations from third parties to confirm the existence of a sample of balances.
- Identifying and testing journal entries, including those posted with certain descriptions and posted to certain account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 7 August 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2017 to 31 December 2024.

# Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

**Hamish Anderson** (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

18 February 2025

# Financial statements

## Contents



# Notes on the financial statements

## Contents

# Consolidated income statement

## for the year ended 31 December

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| Net interest income | | **8,084** | 7,787 |
| – interest income[1,2,3] | | **14,789** | 12,915 |
| – interest expense | | **(6,705)** | (5,128) |
| Net fee income | 2 | **1,308** | 1,284 |
| – fee income | | **1,605** | 1,554 |
| – fee expense | | **(297)** | (270) |
| Net income from financial instruments held for trading or managed on a fair value basis | | **454** | 414 |
| Gain on acquisition of subsidiary[4] | | **—** | 1,307 |
| Other operating income | | **133** | 15 |
| **Net operating income before change in expected credit losses and other credit impairment charges** | | **9,979** | 10,807 |
| Change in expected credit losses and other credit impairment charges | | **(315)** | (421) |
| **Net operating income** | | **9,664** | 10,386 |
| Employee compensation and benefits | 3 | **(1,128)** | (1,007) |
| General and administrative expenses | | **(2,442)** | (2,265) |
| Depreciation and impairment of property, plant and equipment and right-of-use assets | | **(99)** | (116) |
| Amortisation and impairment of intangible assets | | **(348)** | (319) |
| **Total operating expenses** | | **(4,017)** | (3,707) |
| **Operating profit** | | **5,647** | 6,679 |
| **Profit before tax** | | **5,647** | 6,679 |
| Tax expense | 5 | **(1,508)** | (1,425) |
| **Profit for the year** | | **4,139** | 5,254 |
| Attributable to: | | | |
| – shareholders of the parent company | | **4,134** | 5,249 |
| – non-controlling interests | | **5** | 5 |
| **Profit for the year** | | **4,139** | 5,254 |

1 Interest income recognised on financial assets measured at amortised cost is £13,836m (2023: £12,478m).
2 Interest income recognised on financial assets measured at FVOCI is £953m (2023: £435m).
3 Interest income calculated using the effective interest method comprises interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.
4 Gain of £1,307m recognised in respect of the acquisition of SVB UK in 2023.

# Consolidated statement of comprehensive income

## for the year ended 31 December

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Profit for the year | **4,139** | 5,254 |
| **Other comprehensive income/(expense)** | | |
| **Items that will be reclassified subsequently to profit or loss when specific conditions are met:** | | |
| Debt instruments at fair value through other comprehensive income | **(35)** | 66 |
| – fair value gains/(losses) | **(17)** | 16 |
| – fair value (gains)/losses transferred to the income statement on disposal | **(31)** | 66 |
| – income taxes | **13** | (16) |
| Cash flow hedges | **(365)** | 1,031 |
| – fair value gains/(losses) | **(1,496)** | 548 |
| – fair value losses reclassified to the income statement | **989** | 884 |
| – income taxes | **142** | (401) |
| Exchange differences | **1** | 8 |
| – other exchange differences | **1** | 8 |
| **Items that will not be reclassified subsequently to profit or loss:** | | |
| Remeasurement of defined benefit asset | **(285)** | (128) |
| – before income taxes | **(398)** | (176) |
| – income taxes | **113** | 48 |
| **Other comprehensive income/(expense) for the year, net of tax** | **(684)** | 977 |
| **Total comprehensive income for the year** | **3,455** | 6,231 |
| Attributable to: | | |
| – shareholders of the parent company | **3,450** | 6,226 |
| – non-controlling interests | **5** | 5 |
| **Total comprehensive income for the year** | **3,455** | 6,231 |

# Consolidated balance sheet

## at 31 December

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | **52,276** | 65,719 |
| Financial assets mandatorily measured at fair value through profit or loss | 7 | **174** | 135 |
| Derivatives | 9 | **298** | 178 |
| Loans and advances to banks | | **7,263** | 7,980 |
| Loans and advances to customers | | **217,604** | 211,887 |
| Reverse repurchase agreements – non-trading | | **11,776** | 7,686 |
| Financial investments | 10 | **37,801** | 26,315 |
| Prepayments, accrued income and other assets[1] | 16 | **9,303** | 8,605 |
| Interests in joint ventures | 12 | **9** | 8 |
| Goodwill and intangible assets | 15 | **4,373** | 4,363 |
| **Total assets** | | **340,877** | 332,876 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Deposits by banks | | **11,144** | 10,843 |
| Customer accounts | | **280,366** | 268,345 |
| Repurchase agreements – non-trading | | **420** | 4,652 |
| Derivatives | 9 | **107** | 108 |
| Debt securities in issue | 17 | **2,044** | 1,988 |
| Accruals, deferred income and other liabilities[1] | 18 | **3,476** | 4,535 |
| Current tax liabilities | | **449** | 276 |
| Provisions | 19 | **265** | 350 |
| Deferred tax liabilities | 5 | **949** | 1,111 |
| Subordinated liabilities | 20 | **15,686** | 14,598 |
| **Total liabilities** | | **314,906** | 306,806 |
| **Equity** | | | |
| Called up share capital | 23 | **—** | — |
| Share premium account | 23 | **—** | 9,015 |
| Other equity instruments | 23 | **2,196** | 2,196 |
| Other reserves | | **1,579** | 7,226 |
| Retained earnings | | **22,136** | 7,573 |
| **Total shareholders' equity** | | **25,911** | 26,010 |
| Non-controlling interests | | **60** | 60 |
| **Total equity** | | **25,971** | 26,070 |
| **Total liabilities and equity** | | **340,877** | 332,876 |

The accompanying notes on pages 94 to 133 and the audited sections in: the 'Financial summary' on pages 10 to 13 and the 'Report of the Directors' on pages 16 to 78 form an integral part of these financial statements.

1 In 2023 'Items in the course of collection from other banks' (£284m) were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Annual Report and Accounts 2024. Similarly, 'Items in the course of transmission to other banks' (£411m) are now presented within 'Accruals, deferred income and other liabilities'.

These financial statements were approved by the Board of Directors on 18 February 2025 and signed on its behalf by:

John David Stuart
**Director**

# Consolidated statement of changes in equity

## for the year ended 31 December

| | Called up share capital and share premium | Other equity instru-ments | Retained earnings | Other reserves: Financial assets at FVOCI reserve | Other reserves: Cash flow hedging reserve | Other reserves: Group re-organisa-tion reserve[2] | Total share-holders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **9,015** | **2,196** | **7,573** | **(172)** | **(293)** | **7,691** | **26,010** | **60** | **26,070** |
| Profit for the year | **—** | **—** | **4,134** | **—** | **—** | **—** | **4,134** | **5** | **4,139** |
| Other comprehensive income (net of tax) | **—** | **—** | **(285)** | **(34)** | **(365)** | **—** | **(684)** | **—** | **(684)** |
| – debt instruments at fair value through other comprehensive income | **—** | **—** | **—** | **(35)** | **—** | **—** | **(35)** | **—** | **(35)** |
| – cash flow hedges | **—** | **—** | **—** | **—** | **(365)** | **—** | **(365)** | **—** | **(365)** |
| – remeasurement of defined benefit asset/ liability | **—** | **—** | **(285)** | **—** | **—** | **—** | **(285)** | **—** | **(285)** |
| – exchange differences | **—** | **—** | **—** | **1** | **—** | **—** | **1** | **—** | **1** |
| **Total comprehensive income for the year** | **—** | **—** | **3,849** | **(34)** | **(365)** | **—** | **3,450** | **5** | **3,455** |
| Dividends to shareholders | **—** | **—** | **(3,564)** | **—** | **—** | **—** | **(3,564)** | **(5)** | **(3,569)** |
| Share premium reclassification to retained earnings[1] | **(9,015)** | **—** | **9,015** | **—** | **—** | **—** | **—** | **—** | **—** |
| Capitalisation of Group reorganisation reserve through bonus share issuance[1] | **5,248** | **—** | **—** | **—** | **—** | **(5,248)** | **—** | **—** | **—** |
| Cancellation of bonus shares[1] | **(5,248)** | **—** | **5,248** | **—** | **—** | **—** | **—** | **—** | **—** |
| Other movements[3] | **—** | **—** | **15** | **—** | **—** | **—** | **15** | **—** | **15** |
| **At 31 Dec 2024** | **—** | **2,196** | **22,136** | **(206)** | **(658)** | **2,443** | **25,911** | **60** | **25,971** |
| | | | | | | | | | |
| At 1 Jan 2023 | 9,015 | 2,196 | 4,834 | (246) | (1,324) | 7,691 | 22,166 | 60 | 22,226 |
| Profit for the year | — | — | 5,249 | — | — | — | 5,249 | 5 | 5,254 |
| Other comprehensive income (net of tax) | — | — | (128) | 74 | 1,031 | — | 977 | — | 977 |
| – debt instruments at fair value through other comprehensive income | — | — | — | 66 | — | — | 66 | — | 66 |
| – cash flow hedges | — | — | — | — | 1,031 | — | 1,031 | — | 1,031 |
| – remeasurement of defined benefit asset/ liability | — | — | (128) | — | — | — | (128) | — | (128) |
| – exchange differences | — | — | — | 8 | — | — | 8 | — | 8 |
| Total comprehensive income for the year | — | — | 5,121 | 74 | 1,031 | — | 6,226 | 5 | 6,231 |
| Dividends to shareholders | — | — | (2,411) | — | — | — | (2,411) | (5) | (2,416) |
| Share premium reclassification to retained earnings[1] | — | — | — | — | — | — | — | — | — |
| Capitalisation of Group reorganisation reserve through bonus share issuance[1] | — | — | — | — | — | — | — | — | — |
| Cancellation of bonus shares[1] | — | — | — | — | — | — | — | — | — |
| Other movements[3] | — | — | 29 | — | — | — | 29 | — | 29 |
| At 31 Dec 2023 | 9,015 | 2,196 | 7,573 | (172) | (293) | 7,691 | 26,010 | 60 | 26,070 |

1 During Q4 2024, HSBC UK Bank plc converted £5.2bn of its group reorganisation reserve and £9.0bn of its share premium account into retained earnings. For further details, please refer to Note 23.
2 The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring fenced businesses that were notionally transferred from HSBC Bank plc. As at 31 Dec 2024, the balance mainly comprises of the reserve created on consolidation for the goodwill transfer.
3 Relates to £(7)m pension assets transfer from HSBC Global Services (UK) Limited and HSBC Bank plc (2023: £5m) and share based payments cost of £20m in 2024 (2023: £24m).

# Consolidated statement of cash flows

## for the year ended 31 December

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| **Profit before tax** | **5,647** | 6,679 |
| **Adjustments for non-cash items:** | | |
| Depreciation, amortisation and impairment | **447** | 435 |
| Net gain from investing activities | **(38)** | 79 |
| Gain on acquisition of SVB UK | **—** | (1,307) |
| Change in expected credit losses gross of recoveries and other credit impairment charges | **386** | 472 |
| Provisions including pensions | **(198)** | (233) |
| Share-based payment expense | **28** | 19 |
| Other non-cash items included in profit before tax | **(249)** | (149) |
| Elimination of exchange differences[1] | **142** | 332 |
| **Changes in operating assets and liabilities** | | |
| Change in net trading securities and derivatives | **(626)** | 1,615 |
| Change in loans and advances to banks and customers | **(5,073)** | (2,773) |
| Change in reverse repurchase agreements – non-trading | **(1,952)** | (264) |
| Change in financial assets mandatorily measured at fair value | **(39)** | (27) |
| Change in other assets | **(748)** | 114 |
| Change in deposits by banks and customer accounts | **12,322** | (20,028) |
| Change in repurchase agreements – non-trading | **(4,231)** | (5,086) |
| Change in debt securities in issue | **56** | 689 |
| Change in other liabilities | **(900)** | 605 |
| Contributions paid to defined benefit plans | **(1)** | (17) |
| Tax paid | **(1,209)** | (1,182) |
| **Net cash from operating activities** | **3,764** | (20,027) |
| Purchase of financial investments | **(33,396)** | (17,640) |
| Proceeds from the sale and maturity of financial investments | **22,617** | 10,222 |
| Proceeds from sale of property, plant and equipment | **27** | 67 |
| Purchase of property, plant and equipment | **(71)** | (45) |
| Purchase of intangible assets | **(363)** | (325) |
| Proceeds from sale of intangible assets | **1** | — |
| Net cash flow from acquisition of SVB UK | **—** | 1,023 |
| **Net cash from investing activities** | **(11,185)** | (6,698) |
| Subordinated loan capital issued[2] | **3,259** | 2,250 |
| Subordinated loan capital repaid[2] | **(2,194)** | — |
| Dividends paid to shareholders of the parent company and non-controlling interests | **(3,569)** | (2,416) |
| **Net cash from financing activities** | **(2,504)** | (166) |
| **Net decrease in cash and cash equivalents** | **(9,925)** | (26,891) |
| Cash and cash equivalents at 1 Jan | **73,381** | 100,319 |
| Exchange differences in respect of cash and cash equivalents | **(90)** | (47) |
| **Cash and cash equivalents at 31 Dec[3]** | **63,366** | 73,381 |
| **Cash and cash equivalents comprise:** | | |
| – cash and balances at central banks | **52,276** | 65,719 |
| – loans and advances to banks of one month or less | **7,263** | 6,948 |
| – reverse repurchase agreements with banks of one month or less | **2,466** | 328 |
| – treasury bills, other bills and certificates of deposit less than three months | **1,103** | 503 |
| – cash collateral, net settlement accounts and items in course of collection from/transmission to other banks | **258** | (117) |
| **Cash and cash equivalents at 31 Dec[3]** | **63,366** | 73,381 |

Interest received was £14,463m (2023: £12,389m) and interest paid was £6,630m (2023: £4,607m).

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.
2 Subordinated liabilities changes during the year are attributable to cash flows from issuance of securities of £3,259m (2023: £2,250m) and repayments of £(2,194)m (2023: £nil). Non-cash changes during the year included foreign exchange gain/(losses) of £(55)m (2023: £277m).
3 At 31 December 2024 £6,190m (2023: £6,770m) was not available for use by the group, mainly related to mandatory deposits at central banks.

# HSBC UK Bank plc balance sheet

## at 31 December

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | **52,275** | 65,719 |
| Financial assets mandatorily measured at fair value through profit or loss | 7 | **174** | 135 |
| Derivatives | 9 | **295** | 175 |
| Loans and advances to banks | | **13,070** | 13,642 |
| Loans and advances to customers | | **206,187** | 201,014 |
| Reverse repurchase agreements – non-trading | | **11,776** | 7,686 |
| Financial investments | 10 | **37,597** | 26,104 |
| Investments in subsidiaries | 13 | **1,148** | 918 |
| Prepayments, accrued income and other assets[1] | 16 | **9,226** | 8,213 |
| Interests in joint ventures | 12 | **5** | 5 |
| Goodwill and intangible assets | 15 | **1,221** | 1,201 |
| **Total assets** | | **332,974** | 324,812 |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Deposits by banks | | **14,780** | 14,120 |
| Customer accounts | | **274,160** | 262,342 |
| Repurchase agreements – non-trading | | **420** | 4,652 |
| Derivatives | 9 | **107** | 108 |
| Debt securities in issue | 17 | **1,621** | 1,564 |
| Accruals, deferred income and other liabilities[1] | 18 | **3,244** | 4,210 |
| Current tax liabilities | | **281** | 175 |
| Provisions | 19 | **246** | 327 |
| Deferred tax liabilities | 5 | **971** | 1,151 |
| Subordinated liabilities | 20 | **15,686** | 14,598 |
| **Total liabilities** | | **311,516** | 303,247 |
| **Equity** | | | |
| Called up share capital | 23 | **—** | — |
| Share premium account | 23 | **—** | 9,015 |
| Other equity instruments | 23 | **2,196** | 2,196 |
| Other reserves | | **(866)** | 4,777 |
| Retained earnings | | **20,128** | 5,577 |
| **Total equity** | | **21,458** | 21,565 |
| **Total liabilities and equity** | | **332,974** | 324,812 |

Profit after tax for the year was £4,125m (2023: £3,683m).

The accompanying notes on pages 94 to 133, and the audited sections of the 'Report of the Directors' on pages 16 to 78 form an integral part of these financial statements.

1 In 2023 'Items in the course of collection from other banks' (£96m) were presented on the face of the balance sheet but are now reported within 'Prepayments, accrued income and other assets' in the Annual Report and Accounts 2024. Similarly, 'Items in the course of transmission to other banks' (£408m) are now presented within 'Accruals, deferred income and other liabilities'.

These financial statements were approved by the Board of Directors on 18 February 2025 and signed on its behalf by:

John David Stuart
**Director**

# HSBC UK Bank plc statement of changes in equity

## for the year ended 31 December

| | | | | Other reserves | | | |
|---|---|---|---|---|---|---|---|
| | Called up share capital and share premium | Other equity instruments | Retained earnings | Financial assets at FVOCI reserve | Cash flow hedging reserve | Group re-organisation[2] reserve | Total share-holders' equity |
| | £m | £m | £m | £m | £m | £m | £m |
| **At 1 Jan 2024** | **9,015** | **2,196** | **5,578** | **(178)** | **(293)** | **5,248** | **21,566** |
| Profit for the year | — | — | 4,125 | — | — | — | 4,125 |
| Other comprehensive expense (net of tax) | — | — | (285) | (30) | (365) | — | (680) |
| – debt instruments at fair value through other comprehensive income | — | — | — | (31) | — | — | (31) |
| – cash flow hedges | — | — | — | — | (365) | — | (365) |
| – remeasurement of defined benefit asset/ liability | — | — | (285) | — | — | — | (285) |
| – exchange differences | — | — | — | 1 | — | — | 1 |
| **Total comprehensive income for the year** | — | — | 3,840 | (30) | (365) | — | 3,445 |
| Dividends to shareholders | — | — | (3,564) | — | — | — | (3,564) |
| Share premium reclassification to retained earnings[1] | (9,015) | — | 9,015 | — | — | | — |
| Capitalisation of Group reorganisation reserve through bonus share issuance[1] | 5,248 | — | | — | — | (5,248) | — |
| Cancellation of bonus shares[1] | (5,248) | — | 5,248 | — | — | | — |
| Other movements[3] | — | — | 11 | — | — | — | 11 |
| **At 31 Dec 2024** | **—** | **2,196** | **20,128** | **(208)** | **(658)** | **—** | **21,458** |
| | | | | | | | |
| At 1 Jan 2023 | 9,015 | 2,196 | 4,405 | (246) | (1,324) | 5,248 | 19,294 |
| Profit for the year | — | — | 3,683 | — | — | — | 3,683 |
| Other comprehensive income (net of tax) | — | — | (128) | 68 | 1,031 | — | 971 |
| – debt instruments at fair value through other comprehensive income | — | — | — | 60 | — | — | 60 |
| – cash flow hedges | — | — | — | — | 1,031 | — | 1,031 |
| – remeasurement of defined benefit asset/ liability | — | — | (128) | — | — | — | (128) |
| – exchange differences | — | — | — | 8 | — | — | 8 |
| Total comprehensive income for the year | — | — | 3,555 | 68 | 1,031 | — | 4,654 |
| Dividends to shareholders | — | — | (2,411) | — | — | — | (2,411) |
| Share premium reclassification to retained earnings[1] | — | — | — | — | — | — | — |
| Capitalisation of Group reorganisation reserve through bonus share issuance[1] | — | — | — | — | — | — | — |
| Cancellation of bonus shares[1] | — | — | — | — | — | — | — |
| Other movements[3] | — | — | 29 | — | — | — | 29 |
| At 31 Dec 2023 | 9,015 | 2,196 | 5,578 | (178) | (293) | 5,248 | 21,566 |

1 In Q4 2024, HSBC UK Bank plc converted £5.2bn of its group reorganisation reserve and £9.0bn of its share premium account into retained earnings. For further details, please refer Note 23.
2 The Group reorganisation reserve is an equity reserve which was used to recognise the contribution of equity reserves associated with the ring fenced businesses that were notionally transferred from HSBC Bank plc.
3 Relates to £(7)m pension assets transfer from HSBC Global Services (UK) Limited and HSBC Bank plc (2023: £5m) and share based payments cost of £18m in 2024 (2023: £24m).

# HSBC UK Bank plc statement of cash flows

## for the year ended 31 December

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| **Profit before tax** | **5,489** | 4,978 |
| **Adjustments for non-cash items:** | | |
| Depreciation, amortisation and impairment | **419** | 411 |
| Net gain from investing activities | **(37)** | 165 |
| Change in expected credit losses gross of recoveries and other credit impairment charges | **308** | 380 |
| Provisions including pensions | **(198)** | (224) |
| Share-based payment expense | **21** | 19 |
| Other non-cash items included in profit before tax | **(240)** | (149) |
| Elimination of exchange differences[1] | **201** | 332 |
| **Changes in operating assets and liabilities** | | |
| Change in net trading securities and derivatives | **(626)** | 1,606 |
| Change in loans and advances to banks and customers | **(5,072)** | (1,900) |
| Change in reverse repurchase agreements – non-trading | **(1,952)** | (264) |
| Change in financial assets mandatorily measured at fair value | **(39)** | (27) |
| Change in other assets | **(1,266)** | (146) |
| Change in deposits by banks and customer accounts | **12,478** | (14,733) |
| Change in repurchase agreements – non-trading | **(4,231)** | (4,683) |
| Change in debt securities in issue | **57** | 473 |
| Change in other liabilities | **(799)** | 656 |
| Contributions paid to defined benefit plans | **(1)** | (17) |
| Tax paid | **(1,156)** | (1,145) |
| **Net cash from operating activities** | **3,356** | (14,268) |
| Purchase of financial investments | **(33,404)** | (20,071) |
| Proceeds from the sale and maturity of financial investments | **22,618** | 10,294 |
| Proceeds from sale of property, plant and equipment | **13** | 8 |
| Purchase of property, plant and equipment | **(71)** | (42) |
| Purchase of intangible assets | **(346)** | (319) |
| Proceeds from sale of intangible assets | **1** | — |
| **Net cash from investing activities** | **(11,189)** | (10,130) |
| Subordinated loan capital issued[2] | **3,259** | 2,250 |
| Subordinated loan capital repaid[2] | **(2,194)** | — |
| Dividends paid to shareholders of the parent company | **(3,564)** | (2,411) |
| **Net cash from financing activities** | **(2,499)** | (161) |
| **Net decrease in cash and cash equivalents** | **(10,332)** | (24,559) |
| Cash and cash equivalents at 1 Jan | **75,910** | 100,516 |
| Exchange differences in respect of cash and cash equivalents | **(150)** | (47) |
| **Cash and cash equivalents at 31 Dec[3]** | **65,428** | 75,910 |
| **Cash and cash equivalents comprise:** | | |
| – cash and balances at central banks | **52,275** | 65,719 |
| – loans and advances to banks of one month or less | **9,666** | 9,832 |
| – reverse repurchase agreements with banks of one month or less | **2,466** | 328 |
| – treasury bills, other bills and certificates of deposit less than three months | **933** | 333 |
| – cash collateral, net settlement accounts and items in course of collection from/transmission to other banks | **88** | (302) |
| **Cash and cash equivalents at 31 Dec[3]** | **65,428** | 75,910 |

Interest received was £13,642m (2023: £11,673m), interest paid was £6,581m (2023: £4,554m) and dividends received were £354m (2023: £140m).

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on line-by-line basis, as details cannot be determined without unreasonable expense.
2 Subordinated liabilities changes during the year are attributable to cash flows from issuance of securities of £3,259m (2023: £2,250m) and repayments of £(2,194)m (2023: £nil). Non-cash changes during the year included foreign exchange gain/(losses) of £(55)m (2023: £277m).
3 At 31 December 2024,£6,020m (2023: £6,600m) was not available for use by the bank, mainly related to mandatory deposits at central banks.

# Notes on the financial statements

## 1 Basis of preparation and material accounting policies

### 1.1 Basis of preparation

#### (a) Compliance with International Financial Reporting Standards

The consolidated financial statements of HSBC UK and the separate financial statements of the bank comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. These financial statements are also prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards'), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS Accounting Standards for the periods presented. There were no unendorsed standards effective for the year ended 31 December 2024 affecting these consolidated and separate financial statements.

**IFRS Accounting Standards adopted during the year ended 31 December 2024**

There were no new standards, amendments to standards or interpretations that had an effect on these financial statements. Accounting policies have been applied consistently.

#### (b) Future accounting developments

**Minor amendments to IFRS Accounting Standards**

The International Accounting Standards Board ('IASB') has published a number of minor amendments to IFRS Accounting standards that are effective from 1 January 2025. The group expects they will have an insignificant effect, when adopted, on the consolidated financial statements of the group and the separate financial statements of the bank.

**Other amendments and new IFRS Accounting Standards**

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The group is undertaking an assessment of the potential impact.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. HSBC Group are currently assessing impacts and data readiness before developing a more detailed implementation plan.

#### (c) Foreign currencies

The functional currency of the bank is sterling, which is also the presentational currency of the consolidated financial statements of the group.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

#### (d) Presentation of information

Certain disclosures required by IFRS Accounting Standards have been included in the sections marked as ('Audited') in the Annual Report and Accounts 2024 as follows:

- disclosures concerning the nature and extent of risks relating to financial instruments are included in the 'Risk review' on pages 16 to 72; and
- capital disclosures are included in the 'Risk review' on pages 66 to 68.

In publishing the parent company financial statements together with the group financial statements, the bank has taken advantage of the exemption in Section 408(3) of the Companies Act 2006 not to present its individual income statement and related notes.

#### (e) Critical estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements. Management's selection of the group's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

Management has considered the impact of climate-related risks on HSBC UK's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2024 management did not consider there to be a material impact on our critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term. In particular management has considered the known and observable potential impacts of climate-related risks of associated judgements and estimates in our value in use ('VIU') calculations.

## (f) Segmental analysis

HSBC UK's chief operating decision-maker is the group Chief Executive, supported by the group Executive Committee, and operating segments are reported in a manner consistent with the internal reporting provided to the group Chief Executive and the group Executive Committee.

Measurement of segmental assets, liabilities, income and expenses is in accordance with the group's accounting policies. Segmental income and expenses include transfers between segments and these transfers are conducted at arm's length. Shared costs are included in segments on the basis of the actual recharges made.

The types of products and services from which each reportable segment derives its revenue are discussed in the 'Strategic report | Our global businesses'.

## (g) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the group and bank have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment following uncertain inflation, rapidly changing interest rates, and disrupted supply chains as a result of the Russia-Ukraine war, and conflict in the Middle East. They also considered other top and emerging risks, including climate change, as well as from the related impacts on profitability, capital and liquidity.

# 1.2 Summary of material accounting policies

## (a) Consolidation and related policies

**Investments in subsidiaries**

Where an entity is governed by voting rights, the group consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal.

Business combinations are accounted for using the acquisition method. The amount of non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The election is made for each business combination.

**Goodwill**

Goodwill is allocated to CGUs for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. The group's CGUs are based on the business lines described in the Strategic Report. Impairment testing is performed once a year, or whenever there is an indication of impairment, by comparing the recoverable amount of a CGU with its carrying amount.

Goodwill is included in a disposal group if the disposal group is a CGU to which goodwill has been allocated or it is an operation within such a CGU. The amount of goodwill included in a disposal group is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

**Interests in associates and joint arrangements**

Joint arrangements are investments in which the group, together with one or more parties, has joint control. Depending on the group's rights and obligations, the joint arrangement is classified as either a joint operation or a joint venture. The group classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint arrangements, as associates.

The group recognises its share of the assets, liabilities and results in a joint operation. Investments in associates and interests in joint ventures are recognised using the equity method. The attributable share of the results and reserves of joint ventures and associates is included in the consolidated financial statements of the group, based on either financial statements made up to 31 December, or pro-rated amounts adjusted for any material transactions or events occurring between the date the financial statements are available and 31 December.

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. Goodwill on acquisition of interests in joint ventures and associates is not tested separately for impairment, but is assessed as part of the carrying amount of the investment.

## (b) Income and expense

**Operating income**

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading are recognised in 'interest income' and 'interest expense' in the income statement using the effective interest method.

Interest on credit-impaired financial assets is recognised by applying the effective interest rate ('EIR') to the amortised cost (i.e. gross carrying amount of the asset less allowance for ECL).

Non-interest income and expense

The group generates fee income from services provided over time, such as account service and card fees, or when it delivers a specific transaction at a point in time, such as broking services and import/export services. With the exception of certain performance fees, all other fees are generated at a fixed price. Fund management and performance fees can be variable depending on the size of the customer portfolio and the group's performance as fund manager. Variable fees are recognised when all uncertainties are resolved. Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

The group acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, the group acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The group recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where the group offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, such as those including both account and insurance services, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

Dividend income is recognised when the right to receive payment is established.

The group buys and sells currencies to customers, as principal and presents the results of this activity, including the related gains and losses from changes in foreign exchange rates, as trading.

Net income/(expense) from financial instruments measured at fair value through profit or loss includes the following:

– 'Net income from financial instruments held for trading or managed on a fair value basis': This comprises net trading activities, which includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and other financial instruments managed on a fair value basis, together with the related interest income, interest expense and dividend income, excluding the effect of changes in the credit risk of liabilities managed on a fair value basis. It also includes all gains and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities measured at fair value through profit or loss.
– 'Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss': This includes interest on instruments that fail the solely payments of principal and interest ('SPPI') test, see (d) below.

## (c) Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or HSBC UK enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. Financial instruments are classified into one of three fair value hierarchy levels, described in Note 7, 'Fair values of financial instruments carried at fair value'.

## (d) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost. The group accounts for regular way amortised cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

**Non-trading reverse repurchase, repurchase and similar agreements**
When debt securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell ('reverse repos') are not recognised on the balance sheet and an asset is recorded in respect of the initial consideration paid. Non-trading repos and reverse repos are measured at amortised cost. The difference between the sale and repurchase price or between the purchase and resale price is treated as interest and recognised in net interest income over the life of the agreement.

**Finance lease receivables**
Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets are classified as finance leases. They are recorded at an amount equal to the net investment in the lease, less any impairment allowance. The net investment in finance leases represents the sum of the minimum payments receivable (gross investment in the lease) discounted at the rate of interest implicit in the lease. Initial direct costs incurred in arranging the lease, less any fee income related to the lease, are included in the initial measurement of the net investment.

## (e) Financial assets measured at fair value through other comprehensive income

Financial assets managed within a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are generally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value with changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

## (f) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities, which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

**Hedge accounting**

When derivatives are not part of fair value designated relationships, if held for risk management purposes they are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met. The group uses these derivatives or, where allowed, other non-derivative hedging instruments in fair value hedges or cash flow hedges as appropriate to the risk being hedged.

**Fair value hedge**

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in the income statement. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

**Cash flow hedge**

The effective portion of gains and losses on hedging instruments is recognised in other comprehensive income and the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognised immediately in the income statement within 'Net income from financial instruments held for trading or managed on a fair value basis'. The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in other comprehensive income remains in equity until the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

## (g) Impairment of amortised cost and FVOCI financial assets

ECL are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is recognised for ECL resulting from possible default events within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is recognised for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently as set out below.

**Credit impaired (stage 3)**

The group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 90 days, there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition, or the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less allowance for ECL.

**Write-off**

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

**Forbearance**

Loans are identified as forborne and classified as either performing or non-performing when HSBC UK modifies the contractual terms due to financial difficulty of the borrower. Non-performing forborne loans are stage 3 and classified as non-performing until they meet the curing criteria, as specified by applicable credit risk policy (for example, when the loan is no longer in default and no other indicators of default have been present for at least 12 months). Any amount written off as a result of any modification of contractual terms upon entering forbearance would not be reversed.

The group applies the European Banking Authority ('EBA') Guidelines on the application of definition of default for our retail portfolios, which affect credit risk policies and our reporting in respect of the status of loans as credit impaired principally due to forbearance (or curing thereof). Further details are provided under 'Forborne loans and advances' on page 26.

Performing forborne loans are initially stage 2 and remain classified as forborne until they meet applicable curing criteria (for example, they continue to not be in default and no other indicators of default are present for a period of at least 24 months). At this point, the loan is either stage 1 or stage 2 as determined by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A forborne loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forborne loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances would generally be classified as POCI and will continue to be disclosed as forborne.

**Loan modifications other than forborne loans**

Loan modifications that are not identified as forborne are considered to be commercial restructurings. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that HSBC UK rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructuring is at market rates and no payment-related concession has been provided. Modifications of certain higher credit risk wholesale loans are assessed for derecognition having regard to changes in contractual terms that either individually or in combination are judged to result in a substantially different financial instrument. Changes to current market rates are not treated as modifications when they were contemplated at initial recognition, but rather a repricing. Mandatory and general offer loan modifications that are not borrower-specific, for example market-wide customer relief programmes generally do not result in derecognition, but their stage allocation is determined considering all available and supportable information under our ECL impairment policy. Changes made to these financial instruments that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change of the interest rate benchmark.

**Significant increase in credit risk (stage 2)**

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime PD which encompasses a wide range of information including the obligor's CRR, macro-economic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

| Origination CRR | Significance trigger – PD that increases by |
|---|---|
| 0.1-1.2 | 15 bps |
| 2.1-3.3 | 30 bps |

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle PDs and through-the-cycle migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

| Origination CRR | Additional significance criteria – Number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (> or equal to) |
|---|---|
| 0.1 | 5 notches |
| 1.1-4.2 | 4 notches |
| 4.3-5.1 | 3 notches |
| 5.2-7.1 | 2 notches |
| 7.2-8.2 | 1 notch |
| 8.3 | 0 notch |

Further information about the 23-grade scale used for CRR can be found on page 26 – Risk rating scales.

For Retail portfolios, default risk is assessed using a reporting date 12-month PD derived from internal models, which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogenous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold therefore identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

We continue to refine the retail transfer criteria approach for certain portfolios as additional data becomes available, in order to utilise a more relative approach, noting this approach is currently applied to the mortgage portfolio. These enhancements take advantage of the increase in origination related data in the assessment of significant increases in credit risk by comparing remaining lifetime PD to the comparable remaining term lifetime PD at origination based on portfolio-specific origination segments.

**Unimpaired and without significant increase in credit risk (stage 1)**

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

**Purchased or originated credit impaired**
Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes new financial instruments recognised in most cases following the derecognition of forborne loans. The amount of change in lifetime ECL for a POCI loan is recognised in profit or loss until the POCI loan is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

**Movement between stages**
Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. In the case of non-performing forborne loans, such financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment and meet the curing criteria as described above.

**Measurement of ECL**
The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money and considers other factors such as climate-related risks.

In general, the group calculates ECL using three main components: a PD, a LGD and the Exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The group makes use of the IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as set out in the following table:

| Model | Regulatory capital | IFRS 9 |
|---|---|---|
| PD | – Represents long-run average PD throughout a full economic cycle (for mortgage portfolios a hybrid approach, which sits between the extremes of point in time and through the cycle, is used for calculating long-run averages as required by the PRA).<br>– Default backstop of 90+ days past due for all portfolios (includes unlikely to pay ('UTP') criteria in line with internal policy).<br>– May be subject to a sovereign cap. | – Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macroeconomic scenarios.<br>– Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy). |
| EAD | – Cannot be lower than current balance. | – Amortisation captured for term products.<br>– Future drawdown captured for revolving products. |
| LGD | – Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn).<br>– Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data.<br>– Discounted using appropriate index (minimum 9%).<br>– All collection costs included. | – LGD based on recent portfolio performance data and includes the expected impact of future economic conditions such as change in the value of collateral.<br>– No floors applied, discounted using the original effective interest rate.<br>– Only costs associated with selling collateral and certain third-party costs are included. |
| Other | | – Discounted back from point of default to balance sheet date. |

While 12-month PDs are recalibrated from IRB models where possible, the lifetime PDs are determined by projecting the 12-month PD using a term structure. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life.

The ECL for wholesale stage 3 is determined primarily on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on estimates of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest.

Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under up to four different scenarios are probability-weighted by reference to the status of the borrower, economic scenarios applied more generally by the group and judgement in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases where an individual assessment is undertaken, the effect of different economic scenarios and work-out strategies results in an ECL calculation based on a most likely outcome which is adjusted to capture losses resulting from less likely but possible outcomes. For certain less significant cases, the bank may use a LGD-based modelled approach to ECL assessment, which factors in a range of economic scenarios.

**Period over which ECL is measured**
Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the group is exposed to credit risk. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the group's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the group remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years.

In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision. For wholesale overdraft facilities, credit risk management actions are taken no less frequently than on an annual basis.

**Forward-looking economic inputs**

The group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected credit loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate. The detailed methodology is disclosed in 'Measurement uncertainty and sensitivity analysis of ECL estimates' on page 33.

### Critical estimates and judgements

The calculation of the group's ECL under IFRS 9 requires the group to make a number of judgements, assumptions and estimates. The most significant are set out below:

| Judgements | Estimates |
|---|---|
| – Defining what is considered to be a significant increase in credit risk.<br>– Determining the lifetime and point of initial recognition of overdrafts and credit cards.<br>– Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions.<br>– Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected credit loss.<br>– Making management adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.<br>– Selecting applicable recovery strategies for certain wholesale credit-impaired loans. | – The section 'Measurement uncertainty and sensitivity analysis of ECL estimates', marked as audited on pages 33 to 38, sets out the assumptions used in determining ECL, and provides an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions. |

## (h) Employee compensation and benefits

**Share-based payments**

The group enters into both equity-settled and cash-settled share-based payment arrangements with its employees as compensation for the provision of their services.

The vesting period for these schemes may commence before the legal grant date if the employees have started to render services in respect of the award before the legal grant date, where there is a shared understanding of the terms and conditions of the arrangement. Expenses are recognised when the employee starts to render service to which the award relates.

Cancellations result from the failure to meet a non-vesting condition during the vesting period, and are treated as an acceleration of vesting recognised immediately in the income statement. Failure to meet a vesting condition by the employee is not treated as a cancellation, and the amount of expense recognised for the award is adjusted to reflect the number of awards expected to vest.

**Post-employment benefit plans**

The group operates a pension plan which provides defined benefit and defined contribution pensions.

Payments to defined contribution schemes are charged as an expense as the employees render service.

Defined benefit pension obligations are calculated using the projected unit credit method. The net charge to the income statement mainly comprises the service cost and the net interest on the net defined benefit asset or liability, and is presented in operating expenses.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The net defined benefit asset or liability represents the present value of defined benefit obligations reduced by the fair value of plan assets (see Note 1.2 (c)), after applying the asset ceiling test, where the net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

The costs of obligations arising from other post-employment plans are accounted for on the same basis as defined benefit pension plans.

### Critical estimates and judgements

The most significant critical accounting estimates relate to the determination of key assumptions applied in calculating the defined benefit pension obligation.

| Judgements | Estimates |
|---|---|
| | – A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in OCI or profit or loss.<br>– The calculation of the defined benefit pension obligation includes assumptions with regard to the discount rate, inflation rate, pension payments and deferred pensions, pay and mortality. Management determines these assumptions in consultation with the plan's actuaries.<br>– Key assumptions used in calculating the defined benefit pension obligation and the sensitivity of the calculation to different assumptions are described in Note 3. |

## (i) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

## (j) Provisions, contingent liabilities and guarantees

**Provisions**

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

### Critical estimates and judgements

The recognition and measurement of provisions requires the group to make a number of judgements, assumptions and estimates. The most significant are set out below:

| Judgements | Estimates |
| --- | --- |
| – Determining whether a present obligation exists. Professional advice is taken on the assessment of litigation and similar obligations.<br>– Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better defined set of possible outcomes. | – Provisions for legal proceedings and regulatory matters remain very sensitive to the assumptions used in the estimate. There could be a wider range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved. |

**Contingent liabilities, contractual commitments and guarantees**

### Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

### Financial guarantee contracts

Liabilities under financial guarantee contracts that are not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable.

## (k) Impairment of non-financial assets

Software under development is tested for impairment at least annually. Other non-financial assets are property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets. They are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the Cash-generating Unit ('CGU') level for assets that do not have a recoverable amount at the individual asset level. In addition, impairment is also tested at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the principal operating legal entities divided by global business.

Impairment testing compares the carrying amount of the non-financial asset or CGU with its recoverable amount, which is the higher of the fair value less costs of disposal or the value in use. The carrying amount of a CGU comprises the carrying values of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs. The recoverable amount of the CGU is the higher of the fair value less costs of disposal of the CGU, which is determined by independent and qualified valuers where relevant, and the value in use, which is calculated based on appropriate inputs (see Note 15).

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the income statement to the extent that the impairment can be allocated on a pro-rata basis to the non-financial assets by reducing their carrying amounts to the higher of their respective individual recoverable amount or nil. Impairment is not allocated to the financial assets in a CGU.

Impairment losses recognised in prior periods for non-financial assets are reversed when there has been a change in the estimate used to determine the recoverable amount. The impairment loss is reversed to the extent that the carrying amount of the non-financial assets would not exceed the amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior periods.

## 2 Net fee income

| | Year ended | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| **Net fee income by product** | **£m** | £m |
| Account services | **278** | 272 |
| Funds under management | **132** | 120 |
| Cards | **590** | 582 |
| Credit facilities | **162** | 147 |
| Imports/exports | **30** | 28 |
| Insurance agency commission | **16** | 11 |
| Receivables finance | **81** | 86 |
| Other | **316** | 308 |
| **Fee income** | **1,605** | 1,554 |
| Less: fee expense | **(297)** | (270) |
| **Net fee income** | **1,308** | 1,284 |
| **Net fee income by global business** | | |
| Wealth and Personal Banking | **586** | 588 |
| Commercial Banking | **937** | 922 |
| Global Banking and Markets | **(215)** | (224) |
| Corporate Centre | **—** | (2) |

Net fee income includes £1,227m of fees earned on financial assets that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate) (2023: £1,204m), £214m of fees payable on financial liabilities that are not at fair value through profit of loss (other than amounts included in determining the effective interest rate) (2023: £199m), £136m of fees earned on trust and other fiduciary activities (2023: £124m).

## 3 Employee compensation and benefits

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Wages and salaries | **1,086** | 1,025 |
| Social security costs | **119** | 113 |
| Post-employment benefits[1] | **(77)** | (131) |
| **Year ended 31 Dec** | **1,128** | 1,007 |

1 Post-employment benefits increase/decrease is a factor of interest receivable on assets, service cost, interest cost on liabilities and administration expenses.

### Average number of persons employed by the group during the year

| | **2024[1]** | 2023[1] |
|---|---|---|
| Wealth and Personal Banking | **15,061** | 15,549 |
| Commercial Banking | **4,894** | 4,796 |
| Global Banking and Markets | **64** | 60 |
| Corporate Centre | **15** | 10 |
| **Year ended 31 Dec** | **20,034** | 20,415 |

1 Average number of headcount staff in corporate centre are allocated to the respective global businesses. The allocation is on the basis of amounts charged to the respective global business.

## Share-based payments

The share-based payment income statement charge is recognised in wages and salaries as follows:

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Restricted share awards | **17** | 10 |
| Savings-related and other share award option plans | **11** | 9 |
| **Year ended 31 Dec** | **28** | 19 |

### HSBC Group share awards

| Award | Policy |
|---|---|
| Deferred share awards (including annual incentive awards, LTI awards delivered in shares) | An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted.<br>– Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date.<br>– Deferred share awards generally vest over a period of three, four, five or seven years.<br>– Vested shares may be subject to a retention requirement post-vesting.<br>– Awards are subject to malus and clawback provisions. |
| International Employee Share Purchase Plan ('ShareMatch') | The plan was first introduced in Hong Kong in 2013 and now includes employees based in 30 jurisdictions.<br>– Shares are purchased in the market each quarter up to a maximum value of £750, or the equivalent in local currency.<br>– Matching awards are added at a ratio of one free share for every three purchased.<br>– Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months. |

### Movement on HSBC Group share awards

| | 2024 Number (000s) | 2023 Number (000s) |
|---|---|---|
| **Restricted share awards outstanding at 1 Jan** | **3,083** | 2,981 |
| Additions during the year | **2,464** | 1,826 |
| Released in the year | **(1,698)** | (1,582) |
| Forfeited in the year | **(20)** | (142) |
| **Restricted share awards outstanding at 31 Dec** | **3,829** | 3,083 |
| Weighted average fair value of awards granted (£) | **5.11** | 5.55 |

### HSBC Group share option plans

| Plans | Policy |
|---|---|
| Savings-related share option plans ('Sharesave') | – Eligible employees can save up to £500 per month with the option to use the savings to acquire shares.<br>– These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three-year or five-year contract, respectively.<br>– The exercise price is set at a 20% (2023: 20%) discount to the market value immediately preceding the date of invitation. |

## Calculation of fair values

The fair values of share options are calculated using the Black-Scholes model. The fair value of a share award is based on the share price at the date of the grant.

### Movement on HSBC Group share option plans

| | Savings-related share option plans | |
|---|---|---|
| | Number (000s) | WAEP[1] £ |
| **Outstanding at 1 Jan 2024** | **42,678** | **3.44** |
| Granted during the year | **5,841** | **5.37** |
| Exercised during the year | **(8,750)** | **2.98** |
| Expired during the year | **(51)** | **3.31** |
| Forfeited during the year | **(1,797)** | **4.10** |
| **Outstanding at 31 Dec 2024** | **37,921** | **3.82** |
| – of which exercisable | **656** | **3.40** |
| Weighted average remaining contractual life (years) | **2.10** | |
| | | |
| Outstanding at 1 Jan 2023 | 60,350 | 2.85 |
| Granted during the year | 11,496 | 4.76 |
| Exercised during the year | (26,249) | 2.71 |
| Expired during the year | (658) | 4.76 |
| Forfeited during the year | (2,261) | 3.32 |
| Outstanding at 31 Dec 2023 | 42,678 | 3.44 |
| – of which exercisable | 3.527 | 2.68 |
| Weighted average remaining contractual life (years) | 2.44 | |

1 Weighted average exercise price.

# Post-employment benefit plans

We operate a pension plan for our employees called the HBUK section of the HSBC Bank (UK) Pension Scheme ('the plan'), which has both defined benefit and defined contribution sections, managed by the Trustee of the plan. The HSBC Bank (UK) Pension Scheme was fully sectionalised in 2018 to meet the requirements of the Banking Reform Act.

The Pension risk section on page 65 contains details about the policies and practices associated with the plan. Climate-related risks on page 20 provides details of how the Trustee of the plan, manages climate risk.

The defined benefit section was closed to future benefit accrual in 2015, with defined benefits earned by employees at that date continuing to be linked to their salary while they remain employed by the HSBC Group. The plan is overseen by an independent corporate trustee, who has a fiduciary responsibility for the operation of the plan. Its assets are held separately from the assets of the group.

The investment strategy of the plan is to hold the majority of assets in bonds, with the remainder in a diverse range of investments. It also includes some interest rate swaps to reduce interest rate risk, inflation swaps to reduce inflation risk and longevity swaps to reduce the impact of longer life expectancy. For further details of the measures to manage the market volatility, see Treasury risk on page 62.

The plan is subject to the statutory funding objective requirements of the UK Pensions Act 2004, which requires that it be funded to at least the level of technical provisions (an actuarial estimate of the assets needed to provide for the benefits already built up under the plan). Where a funding valuation is carried out and identifies a deficit, the employer and trustee are required to agree to a deficit recovery plan.

The latest funding valuation of the plan at 31 December 2022 was carried out by Colin G Singer of Willis Towers Watson Limited, who is a Fellow of the UK Institute and Faculty of Actuaries, using the projected unit credit method. At that date, the market value of the plan's assets was £23.9bn and this exceeded the value placed on its liabilities on an ongoing basis by £3.7bn, giving a funding level of 118%. These figures include defined contribution assets amounting to £3bn. The funding valuation is used to judge the amount of cash contributions the group needs to put into the pension scheme. It will always be different to the IAS 19 accounting surplus, which is an accounting rule concerning employee benefits and shown on the balance sheet of our financial statements. The main differences between the assumptions used for assessing the liabilities for this funding valuation and those used for IAS19 are that an element of prudence is contained in the funding assumptions for discount rate, inflation rate and life expectancy. The next funding valuation is scheduled to be performed in 2026, with an effective date 31 December 2025.

The actuary also assessed the value of the liabilities if the HBUK section of the plan were to have been stopped and an insurance company asked to secure all future pension payments. This is generally larger than the amount needed on the ongoing basis described above because an insurance company would use more prudent assumptions which allow for reserves and include a more prudent allowance for the future administrative expenses of the plan. Under this approach, the amount of assets needed was estimated to be £21.3bn at 31 December 2022.

The Trust Deed gives the ability for HSBC UK to take a refund of surplus assets after the plan has been run down such that no further beneficiaries remain. In assessing whether a surplus is recoverable HSBC UK has considered its right to obtain a future refund together with the rights of third parties such as trustees. On this basis, any net surplus in the HBUK section of the plan is recognised in HSBC UK's financial statements.

Income statement charge/(credit)

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Defined benefit pension plans | **(210)** | (241) |
| Defined contribution pension plans | **133** | 110 |
| **Pension plans** | **(77)** | (131) |
| **Year ended 31 Dec** | **(77)** | (131) |

# Defined benefit pension plans

Net asset/(liability) under defined benefit pension plans

| | **Fair value of plan assets** | **Present value of defined benefit obligations** | **Net defined benefit assets/(liabilities)** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **At 1 Jan 2024** | **20,851** | **(15,514)** | **5,337** |
| Service cost | **—** | **(27)** | **(27)** |
| – current service cost | **—** | **(7)** | **(7)** |
| – past service cost | **—** | **(20)** | **(20)** |
| Net interest income/(cost) on the net defined benefit asset/(liability) | **949** | **(701)** | **248** |
| Remeasurement effects recognised in other comprehensive income | **(2,085)** | **1,687** | **(398)** |
| – return on plan assets (excluding interest income) | **(2,085)** | **—** | **(2,085)** |
| – actuarial gains/(losses) financial assumptions | **—** | **1,386** | **1,386** |
| – actuarial gains/(losses) demographic assumptions | **—** | **126** | **126** |
| – actuarial gains/(losses) experience adjustments | **—** | **175** | **175** |
| Transfers to/from the scheme | **16** | **(22)** | **(6)** |
| Benefits paid | **(847)** | **847** | **—** |
| Other movements[1] | **(28)** | **—** | **(28)** |
| **At 31 Dec 2024** | **18,856** | **(13,730)** | **5,126** |

### Net asset/(liability) under defined benefit pension plans (continued)

| | Fair value of plan assets | Present value of defined benefit obligations | Net defined benefit assets/ (liabilities) |
|---|---|---|---|
| | £m | £m | £m |
| At 1 Jan 2023 | 20,853 | (15,596) | 5,257 |
| Service cost | — | (8) | (8) |
| – current service cost | — | (11) | (11) |
| – past service cost | — | 3 | 3 |
| Net interest income/(cost) on the net defined benefit asset/(liability) | 1,003 | (744) | 259 |
| Remeasurement effects recognised in other comprehensive income | (181) | 6 | (175) |
| – return on plan assets (excluding interest income) | (181) | — | (181) |
| – actuarial gains/(losses) financial assumptions | — | (98) | (98) |
| – actuarial gains/(losses) demographic assumptions | — | 287 | 287 |
| – actuarial gains/(losses) experience adjustments | — | (183) | (183) |
| Transfers to/from the scheme | 30 | (25) | 5 |
| Benefits paid | (855) | 855 | — |
| Other movements[1] | 1 | (2) | (1) |
| At 31 Dec 2023 | 20,851 | (15,514) | 5,337 |

1 Other movements of Fair value of plan assets includes contributions by HSBC UK of £1m (2023: £17m), less administrative costs £29m (2023: £16m). Following the 31 December 2022 funding valuation, a new Schedule of Contributions was signed in March 2024 resulting in a reduction of contributions in 2024 due to risk benefits, augmentations and administration expenses (defined benefit/defined contribution administration expenses and defined contribution annual management charge) were reimbursed through the plan assets.Based on the new Schedule of Contributions, it is expected that contribution to the plan for 2025 is nil. Other movements of Present value of defined benefit obligations includes the adjustment on administrative cost paid lower than expected incurred of Nil (2023: £2m).

Benefits expected to be paid from the plan to retirees over each of the next five years, and in aggregate for the five years thereafter, are as follows:

### Benefits expected to be paid from plan

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030–2034 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| The plan[1] | 872 | 900 | 929 | 959 | 990 | 5,450 |

1 The duration of the defined benefit obligation is 11.8 years under the disclosure assumptions adopted (2023: 12.9 years).

### Fair value of plan assets by asset classes

| | **At 31 Dec 2024** | | | At 31 Dec 2023 | | |
|---|---|---|---|---|---|---|
| | **Value** | **Quoted market price in active market** | **No quoted market price in active market** | Value | Quoted market price in active market | No quoted market price in active market |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **The plan** | | | | | | |
| Fair value of plan assets | **18,856** | **11,084** | **7,772** | 20,851 | 11,768 | 9,083 |
| – equities[1] | **52** | **—** | **52** | 65 | — | 65 |
| – bonds fixed income[2] | **4,675** | **4,283** | **392** | 4,126 | 3,716 | 410 |
| – bonds index linked | **6,579** | **6,579** | **—** | 8,077 | 8,077 | — |
| – derivatives[3] | **235** | **—** | **235** | 832 | — | 832 |
| – property | **664** | **—** | **664** | 651 | — | 651 |
| – pooled investment vehicles | **6,429** | **—** | **6,429** | 7,125 | — | 7,125 |
| – other | **222** | **222** | **—** | (25) | (25) | — |

1 Includes £52m (2023: £65m) in relation to private equities.
2 Bonds fixed income, includes £(134)m (2023: £(838)m) in relation to repurchase agreements.
3 Includes longevity swaps that are used to hedge the risk of increase in life expectancy of pensioner population in HSBC UK. The longevity swaps are reported at £(389)m (2023: £(197)m).

## Post-employment defined benefit plan actuarial financial assumptions

HSBC UK determines the discount rates to be applied to its obligations in consultation with the plan's local actuaries, on the basis of current average yields of high quality (AA-rated or equivalent) debt instruments with maturities consistent with those of the defined benefit obligations.

### Key actuarial assumptions for the plan

| | **Discount rate** | **Inflation rate (RPI)** | **Inflation rate (CPI)** | **Rate of increase for pensions** | **Rate of pay increase** |
|---|---|---|---|---|---|
| | **%** | **%** | **%** | **%** | **%** |
| **UK** | | | | | |
| **At 31 Dec 2024** | **5.54** | **3.33** | **2.88** | **3.22** | **3.63** |
| At 31 Dec 2023 | 4.65 | 3.23 | 2.67 | 3.14 | 3.42 |

### Mortality tables and average life expectancy at age 60 for the plan

| | Mortality table | Life expectancy at age 60 for a male member currently: | | Life expectancy at age 60 for a female member currently: | |
|---|---|---|---|---|---|
| | | Aged 60 | Aged 40 | Aged 60 | Aged 40 |
| **UK** | | | | | |
| **At 31 Dec 2024** | **SAPS S3[1]** | **26.1** | **27.7** | **28.3** | **29.9** |
| At 31 Dec 2023 | SAPS S3[2] | 26.2 | 27.7 | 28.3 | 29.8 |

1 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2023 core projection model with an initial addition to improvement of 0.25% per annum, and a long-term rate of improvement of 1.25% per annum and with a 0% weighting to 2020 and 2021 mortality experience and a 15% weighting to 2022 and 2023, reflecting updated long-term view on mortality improvements post-pandemic.

2 Self-administered pension scheme ('SAPS') S3 table, with different tables and multipliers adopted based on gender, pension amount and member status, reflecting the Scheme's actual mortality experience. Improvements are projected in accordance with the Continuous Mortality Investigation's CMI 2022 core projection model with an initial addition to improvement of 0.25% per annum, and a long-term rate of improvement of 1.25% per annum and with a 0% weighting to 2020 and 2021 mortality experience and a 25% weighting to 2022, reflecting updated long-term view on mortality improvements post-pandemic.

### The effect of changes in key assumptions on the plan

| | Impact on HSBC Bank (UK) Pension Scheme Obligation | | | |
|---|---|---|---|---|
| | Financial impact of increase | | Financial impact of decrease | |
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Discount rate – increase/decrease of 0.25% | **(377)** | (470) | **395** | 495 |
| Inflation rate (RPI/CPI) – increase/decrease of 0.25% | **310** | 392 | **(312)** | (390) |
| Pension payments and deferred pensions – increase/decrease of 0.25% | **388** | 488 | **(381)** | (463) |
| Pay – increase/decrease of 0.25% | **5** | 6 | **(5)** | (5) |
| Change in mortality – increase/decrease of 1 year | **385** | 481 | **(370)** | (481) |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this in unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit asset recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

## Directors' emoluments

The aggregate emoluments of the Directors of the Company, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Fees paid to non-executive Directors | **1,871** | 1,519 |
| Salaries and other emoluments[1] | **2,599** | 2,559 |
| Annual incentives[2] | **1,384** | 1,362 |
| Long-term incentives[3] | **1,353** | 1,013 |
| **Year ended 31 Dec** | **7,207** | 6,453 |

1 Salaries and other emoluments include Fixed Pay Allowances.

2 Discretionary annual incentives for the Executive Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee of the Company's ultimate parent company, HSBC Holdings plc. Incentive awards made to Executive Directors are delivered in the form of cash and HSBC Holdings plc shares. The total amount shown is comprised of £691,988 (2023: £681,040) in cash and £691,988 (2023: £681,040) in Restricted Shares, which is the upfront portion of the annual incentive granted in respect of performance year 2024.

3 The amount shown is comprised of £421,425 (2023: £416,869) in deferred cash and £931,437 (2023: £595,927) in deferred Restricted Shares. These amounts relate to the portion of the awards that will vest following the substantial completion of the vesting condition attached to these awards in 2024. The total deferral period of deferred cash and share awards is no less than five years up to a maximum of seven years. Grants with a five-year deferral vest in five equal tranches on each anniversary of the grant date on a pro-rate basis. Grants with a seven-year deferral vest in five equal tranches on each anniversary from the third anniversary of the grant date on a pro-rata basis. The deferral periods and pro-rata calculations are in line with the requirements set out in the Remuneration rules applicable to Material Risk Takers. The share awards are subject to a retention period of six months to one year upon vesting. Details of the Plans are contained within the Directors' Remuneration Report of HSBC Holdings plc.

No Director exercised share options over HSBC Holdings plc ordinary shares during the year (2023: 1 Director).

Awards were made to 2 Directors under HSBC Holdings plc long-term incentive plans in respect of qualifying services rendered in 2024 (2023: 2). During 2024, 2 Directors received shares in respect of awards in HSBC Holdings plc long-term incentive plans that vested during the year (2023: 2).

Retirement benefits accrued to 1 Director during the year in respect of their qualifying services (2023: 1 Director). No Directors received cash in lieu of pension contributions during the year in respect of their qualifying services (2023: no Directors). Cash received in lieu of pension is included in the salary and other emoluments disclosure in the table above.

Of these aggregate figures, the following amounts are attributable to the highest paid Director:

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Salaries and other emoluments | **1,798** | 1,787 |
| Annual incentives[1] | **1,064** | 1,042 |
| Long-term incentives[2] | **1,271** | 876 |
| **Year ended 31 Dec** | **4,133** | 3,705 |

1 Awards made to the highest paid Director are delivered in the form of cash and HSBC Holdings plc shares. The amount shown is comprised of £531,988 (2023: £521,040) in cash and £531,988 (2023: £521,040) in Restricted Shares.
2 The amount shown is comprised of £391,063 (2023: £362,179) in deferred cash and £880,086 (2023: £514,297) in deferred Restricted Shares.

These amounts represent a portion of the total award that will vest following satisfaction of the vesting condition attached to the 2024 awards. The total period of deferral for these cash and share awards is seven years with pro-rata vesting in five equal tranches between the third and seventh anniversary of the date granted. The vested share awards are then subject to a one-year retention period.

The highest paid Director received shares in respect of qualifying services under an HSBC Holdings plc long term incentive ('LTI') plan.

No pension contributions were made by the Company in respect of services by the highest paid Director during the year (2023: £nil).

# 4 Auditors' remuneration

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Audit fees payable to PwC | **6.1** | 6.9 |
| Assurance fees payable to PwC | **2.1** | 2.3 |
| **Year ended 31 Dec** | **8.2** | 9.2 |

## Fees payable by the group to PwC

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| Audit fees for HSBC UK Bank plc's statutory audit[1] | **4.2** | 4.7 |
| Fees for other services provided to the group | **4.0** | 4.5 |
| – audit of the group's subsidiaries | **1.9** | 2.2 |
| – audit-related assurance services[2] | **2.1** | 2.2 |
| – other assurance services[3] | **—** | 0.1 |
| **Year ended 31 Dec** | **8.2** | 9.2 |

1 Fees payable to PwC for the statutory audit of the consolidated financial statements of the group and the separate financial statements of HSBC UK Bank plc. They exclude amounts payable for the statutory audit of the bank's subsidiaries which have been included in 'Fees for other services provided to the group'.
2 Including services for assurance and other services that relate to statutory and regulatory filings, including comfort letters and interim and quarterly reviews.
3 Including comfort and arrangement letters to underwriters or other financial intermediaries and assurance reviews of PRA regulatory reporting returns.

No fees were payable to PwC as principal auditor for the following types of services: internal audit services and services related to litigation, recruitment and remuneration.

In addition to the above, the estimated fees paid to PwC by third parties associated with HSBC UK amounted to £0.6m (2023: £2.2m). In these cases, HSBC UK was connected with the contracting party and may therefore have been involved in appointing PwC. These fees arose from services such as reviewing the financial position of corporate concerns that borrow from HSBC UK.

Fees payable for non-audit services for HSBC UK Bank plc are not disclosed separately because such fees are disclosed on a consolidated basis for the group.

# 5 Tax

## Tax expense

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| **Current tax** | **1,399** | 1,310 |
| – for this year | **1,404** | 1,320 |
| – adjustments in respect of prior years | **(5)** | (10) |
| **Deferred tax** | **109** | 115 |
| – origination and reversal of temporary differences | **112** | 122 |
| – effect of changes in tax rates | **—** | (1) |
| – adjustments in respect of prior years | **(3)** | (6) |
| **Year ended 31 Dec**[1] | **1,508** | 1,425 |

1 In addition to amounts recorded in the income statement, a tax credit of £268m (2023: charge of £369m) was recorded directly to equity.

On 1 April 2023, the main rate of UK corporation tax increased from 19% to 25% and the UK banking surcharge rate decreased from 8% to 3%, giving a rate of 28% for HSBC UK Bank plc and its banking subsidiaries in 2024 (2023: 27.75%). The tax rate applicable for non-banking entities in 2024 is 25% (2023: 23.5%).

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of the entity’s ultimate parent entity, HSBC Holdings plc, to introduce the ‘Pillar Two’ global minimum tax model rules of the Organisation of Economic Co-operation and Development's ('OECD') Inclusive Framework on Base Erosion and Profit Shifting ('BEPS'), as well as a qualified domestic minimum top-up tax, with effect from 1 January 2024. Under these rules, a top-up tax liability arises where the effective tax rate of the HSBC Holdings plc group’s operations in a jurisdiction, calculated based on principles set out in the OECD’s Pillar Two model rules, is below 15%. Based on the Group’s calculations, no top-up tax liability arose in respect of the UK in the year and these rules are not expected to affect HSBC UK Bank plc’s tax expense in future periods.

## Tax reconciliation

The tax charged to the income statement differs from the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| **Profit before tax** | **5,647** | | 6,679 | |
| **Tax expense** | | | | |
| Taxation at UK corporation tax rate of 25% (2023: 23.50%) | **1,412** | **25.0** | 1,570 | 23.5 |
| Items increasing the tax charge in 2024: | | | | |
| – UK banking surcharge at 3% (2023: 4.25%) | **163** | **2.9** | 277 | 4.1 |
| – UK bank levy | **12** | **0.2** | 14 | 0.2 |
| – other permanent disallowables | **5** | **0.1** | 4 | 0.1 |
| Items decreasing the tax charge in 2024: | | | | |
| – deductions for AT1 coupon payments | **(65)** | **(1.2)** | (61) | (0.9) |
| – adjustments in respect of prior period liabilities | **(8)** | **(0.1)** | (1) | — |
| – non-deductible regulatory matters and legal proceedings | **(6)** | **(0.1)** | 1 | — |
| – non-deductible UK customer redress | **(5)** | **(0.1)** | (2) | (0.1) |
| – non-taxable gain on SVB UK acquisition | **—** | **—** | (361) | (5.4) |
| – movement in uncertain tax positions | **—** | **—** | (15) | (0.2) |
| – change in tax rates | **—** | **—** | (1) | — |
| **Year ended 31 Dec** | **1,508** | **26.7** | 1,425 | 21.3 |

The effective tax rate for the year was 26.7% (2023: 21.3%). The effective tax rate reflects the statutory tax rate of 28.0%, tax relief on AT1 coupon payments and the non-taxable release of provisions for regulatory and legal matters. The effective tax rate for 2023 was reduced by 5.4% due to the non-taxable gain arising on the acquisition of SVB UK in the period. The effective tax rate for 2023 excluding this item is 26.7% and reflects the statutory blended tax rate of 27.75%, tax relief on AT1 coupon payments and tax credit from prior period adjustments including release of provisions for uncertain tax positions.

### Movement of deferred tax assets and liabilities

| | Loan impairment provisions £m | Cash flow hedges £m | FVOCI reserves £m | Defined benefit pension £m | Fixed and intangible assets £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| **The group** | | | | | | | |
| **At 1 Jan 2024** | **74** | **115** | **76** | **(1,494)** | **58** | **60** | **(1,111)** |
| Income statement | **(18)** | **—** | **(4)** | **(54)** | **(11)** | **(22)** | **(109)** |
| Other comprehensive income | **—** | **142** | **9** | **113** | **—** | **7** | **271** |
| **At 31 Dec 2024** | **56** | **257** | **81** | **(1,435)** | **47** | **45** | **(949)** |
| Assets | **56** | **257** | **81** | **—** | **47** | **45** | **486** |
| Liabilities | **—** | **—** | **—** | **(1,435)** | **—** | **—** | **(1,435)** |
| | | | | | | | |
| At 1 Jan 2023 | 92 | 516 | 92 | (1,472) | 84 | 22 | (666) |
| Income statement | (11) | — | (16) | (70) | (1) | (17) | (115) |
| Other comprehensive income | — | (401) | (24) | 48 | — | — | (377) |
| Acquisition of subsidiary | (7) | — | 24 | — | (25) | 55 | 47 |
| At 31 Dec 2023 | 74 | 115 | 76 | (1,494) | 58 | 60 | (1,111) |
| Assets | 74 | 115 | 76 | — | 58 | 60 | 383 |
| Liabilities | — | — | — | (1,494) | — | — | (1,494) |
| **The bank** | | | | | | | |
| **At 1 Jan 2024** | **68** | **115** | **65** | **(1,494)** | **67** | **28** | **(1,151)** |
| Income statement | **(17)** | **—** | **—** | **(54)** | **(13)** | **(7)** | **(91)** |
| Other comprehensive income | **—** | **142** | **10** | **113** | **—** | **6** | **271** |
| **At 31 Dec 2024** | **51** | **257** | **75** | **(1,435)** | **54** | **27** | **(971)** |
| Assets | **51** | **257** | **75** | **—** | **54** | **27** | **464** |
| Liabilities | **—** | **—** | **—** | **(1,435)** | **—** | **—** | **(1,435)** |
| | | | | | | | |
| At 1 Jan 2023 | 85 | 516 | 89 | (1,472) | 68 | 24 | (690) |
| Income statement | (17) | — | — | (70) | (1) | 4 | (84) |
| Other comprehensive income | — | (401) | (24) | 48 | — | — | (377) |
| At 31 Dec 2023 | 68 | 115 | 65 | (1,494) | 67 | 28 | (1,151) |
| Assets | 68 | 115 | 65 | — | 67 | 28 | 343 |
| Liabilities | — | — | — | (1,494) | — | — | (1,494) |

Management has assessed the likely availability of future taxable profits against which to recover the deferred tax assets of the bank and the group, taking into consideration the reversal of existing taxable temporary differences, past business performance and forecasts of future business performance. Management is satisfied that there is sufficient evidence to support recognition of all deferred tax assets.

# 6 Dividends

On 11 February 2025, the Directors resolved to pay an interim dividend of £595m to the ordinary shareholders of the parent company in respect of the financial year ending 31 December 2024. No liability is recognised in the financial statements in respect of this dividend.

### Dividends to the shareholder of the parent company

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **£ per share** | **£m** | £ per share | £m |
| **Dividends paid on ordinary shares** | | | | |
| Interim dividend in respect of the previous year | **28,239** | **1,412** | 10,779 | 539 |
| Interim dividend in respect of the current year | **38,478** | **1,924** | 33,159 | 1,658 |
| **Total** | **66,717** | **3,336** | 43,938 | 2,197 |

### Total coupons on capital securities classified as equity

| | First call date | **2024 £m** | 2023 £m |
|---|---|---|---|
| **Undated Subordinated Additional Tier 1 instruments** | | | |
| – £1,096m | Dec 2019 | **113** | 106 |
| – £1,100m | Dec 2024 | **115** | 108 |
| **Total** | | **228** | 214 |

# 7 Fair values of financial instruments carried at fair value

## Control framework

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used.

For fair values determined using valuation models, the control framework includes development or validation by independent support functions of the model logic, inputs, model outputs and adjustments. Valuation models are subject to a process of due diligence before becoming operational and are calibrated against external market data on an ongoing basis.

Changes in fair value are generally subject to a profit and loss analysis process and are disaggregated into high-level categories including portfolio changes, market movements and other fair value adjustments.

### Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that can be accessed at the measurement date.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **The group** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| **Recurring fair value measurements at 31 Dec** | | | | | | | | |
| **Assets** | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | **135** | **—** | **39** | **174** | 89 | — | 46 | 135 |
| Derivatives | **1** | **294** | **3** | **298** | 2 | 173 | 3 | 178 |
| Financial investments | **18,800** | **2,662** | **17** | **21,479** | 14,284 | 212 | — | 14,496 |
| **Liabilities** | | | | | | | | |
| Derivatives | **—** | **107** | **—** | **107** | — | 108 | — | 108 |

Financial instruments carried at fair value and bases of valuation

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Level 1 | Level 2 | Level 3 | Total |
| **The bank** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| **Recurring fair value measurements at 31 Dec** | | | | | | | | |
| **Assets** | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | **135** | **—** | **39** | **174** | 89 | — | 46 | 135 |
| Derivatives | **1** | **294** | **—** | **295** | 2 | 173 | — | 175 |
| Financial investments | **18,800** | **2,662** | **17** | **21,479** | 14,284 | 212 | — | 14,496 |
| **Liabilities** | | | | | | | | |
| Derivatives | **—** | **107** | **—** | **107** | — | 108 | — | 108 |

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarterly reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency. There were no transfers between Level 1 and Level 2 during 2024 and 2023.

## Fair value adjustments

Fair value adjustments are adopted when the group determines there are additional factors considered by market participants that are not incorporated within the valuation model. Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement, such as when models are enhanced and therefore fair value adjustments may no longer be required.

## Fair value valuation bases

### Equities

The fair value of equity investment is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors. If necessary, adjustments are made to the net asset value of funds to obtain the best estimate of fair value.

# 8 Fair values of financial instruments not carried at fair value

Fair values of financial instruments not carried at fair value and bases of valuation

| | | Fair value | | | |
|---|---|---|---|---|---|
| | Carrying amount | Quoted market price Level 1 | Observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
| | £m | £m | £m | £m | £m |
| **The group** | | | | | |
| **At 31 Dec 2024** | | | | | |
| **Assets** | | | | | |
| Loans and advances to banks | **7,263** | **—** | **7,263** | **—** | **7,263** |
| Loans and advances to customers | **217,604** | **—** | **—** | **216,767** | **216,767** |
| Reverse repurchase agreements – non-trading | **11,776** | **—** | **11,776** | **—** | **11,776** |
| Financial investments – at amortised cost | **16,322** | **15,593** | **170** | **—** | **15,763** |
| **Liabilities** | | | | | |
| Deposits by banks | **11,144** | **—** | **11,144** | **—** | **11,144** |
| Customer accounts | **280,366** | **—** | **280,366** | **—** | **280,366** |
| Repurchase agreements – non-trading | **420** | **—** | **420** | **—** | **420** |
| Debt securities in issue | **2,044** | **—** | **1,626** | **418** | **2,044** |
| Subordinated liabilities | **15,686** | **—** | **15,898** | **—** | **15,898** |
| At 31 Dec 2023 | | | | | |
| Assets | | | | | |
| Loans and advances to banks | 7,980 | — | 7,979 | — | 7,979 |
| Loans and advances to customers | 211,887 | — | — | 209,462 | 209,462 |
| Reverse repurchase agreements – non-trading | 7,686 | — | 7,686 | — | 7,686 |
| Financial investments – at amortised cost | 11,819 | 9,931 | 1,639 | — | 11,570 |
| Liabilities | | | | | |
| Deposits by banks | 10,843 | — | 10,843 | — | 10,843 |
| Customer accounts | 268,345 | — | 268,345 | — | 268,345 |
| Repurchase agreements – non-trading | 4,652 | — | 4,652 | — | 4,652 |
| Debt securities in issue | 1,988 | — | 1,568 | 416 | 1,984 |
| Subordinated liabilities | 14,598 | — | 14,678 | — | 14,678 |

Fair values of financial instruments not carried at fair value and bases of valuation (continued)

| | | Fair value | | | |
|---|---|---|---|---|---|
| | Carrying amount | Quoted market price Level 1 | Observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
| | £m | £m | £m | £m | £m |
| **The bank** | | | | | |
| **At 31 Dec 2024** | | | | | |
| **Assets** | | | | | |
| Loans and advances to banks | **13,070** | **—** | **13,079** | **—** | **13,079** |
| Loans and advances to customers | **206,187** | **—** | **—** | **205,376** | **205,376** |
| Reverse repurchase agreements – non-trading | **11,776** | **—** | **11,776** | **—** | **11,776** |
| Financial investments held at amortised cost | **16,118** | **15,593** | **—** | **—** | **15,593** |
| **Liabilities** | | | | | |
| Deposits by banks | **14,780** | **—** | **14,780** | **—** | **14,780** |
| Customer accounts | **274,160** | **—** | **274,160** | **—** | **274,160** |
| Repurchase agreements – non-trading | **420** | **—** | **420** | **—** | **420** |
| Debt securities in issue | **1,621** | **—** | **1,626** | **—** | **1,626** |
| Subordinated liabilities | **15,686** | **—** | **15,898** | **—** | **15,898** |
| At 31 Dec 2023 | | | | | |
| Assets | | | | | |
| Loans and advances to banks | 13,642 | — | 13,646 | — | 13,646 |
| Loans and advances to customers | 201,014 | — | — | 198,552 | 198,552 |
| Reverse repurchase agreements – non-trading | 7,686 | — | 7,686 | — | 7,686 |
| Financial investments held at amortised cost | 11,608 | 9,931 | 1,469 | — | 11,400 |
| Liabilities | | | | | |
| Deposits by banks | 14,120 | — | 14,120 | — | 14,120 |
| Customer accounts | 262,342 | — | 262,342 | — | 262,342 |
| Repurchase agreements – non-trading | 4,652 | — | 4,652 | — | 4,652 |
| Debt securities in issue | 1,564 | — | 1,568 | — | 1,568 |
| Subordinated liabilities | 14,598 | — | 14,678 | — | 14,678 |

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and balances at central banks which is measured at amortised cost.

## Valuation

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the economic benefits and costs that the group expects to flow from an instrument's cash flow over its expected future life. Our valuation methodologies and assumptions in determining fair values for which no observable market prices are available may differ from those of other companies.

### Loans and advances to banks and customers

To determine the fair value of loans and advances to banks and customers, loans are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that HSBC UK believes are consistent with those that would be used by market participants in valuing such loans; and new business rates estimates for similar loans.

The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

### Deposits by banks and customer accounts

The fair values of deposits are approximated by their carrying value.

### Debt securities in issue and subordinated liabilities

Fair values are determined using quoted market prices at the balance sheet date where available, or by reference to quoted market prices for similar instruments. When quoted market prices are unavailable, these instruments are valued using valuation techniques, the inputs for which are derived from observable market data and, where relevant, assumptions in respect of unobservable inputs.

### Repurchase and reverse repurchase agreements – non-trading

Fair values approximate carrying amounts as balances are generally short dated.

### Financial investments

The fair values of listed financial investments are determined using bid market prices. The fair values of unlisted financial investments are determined using valuation techniques that incorporate the prices and future earnings streams of equivalent quoted securities.

## 9 Derivatives

Notional contract amounts and fair values of derivatives by product contract type held

| | Notional contract amount | | Fair value – Assets | | | Fair value – Liabilities | | |
|---|---|---|---|---|---|---|---|---|
| | Trading | Hedging | Trading | Hedging | Total | Trading | Hedging | Total |
| **The group and bank** | £m | £m | £m | £m | £m | £m | £m | £m |
| Foreign exchange | **16,199** | **1,960** | **201** | **27** | **228** | **63** | **28** | **91** |
| Interest rate | **55,666** | **100,083** | **1,305** | **1,288** | **2,593** | **1,274** | **1,268** | **2,542** |
| Equities | **11** | **—** | **3** | **—** | **3** | **—** | **—** | **—** |
| **Gross total fair values** | **71,876** | **102,043** | **1,509** | **1,315** | **2,824** | **1,337** | **1,296** | **2,633** |
| Offset (Note 22) | | | | | **(2,526)** | | | **(2,526)** |
| **At 31 Dec 2024** | **71,876** | **102,043** | **1,509** | **1,315** | **298** | **1,337** | **1,296** | **107** |
| | | | | | | | | |
| Foreign exchange | 8,064 | 75 | 61 | 2 | 63 | 76 | 1 | 77 |
| Interest rate | 61,286 | 74,368 | 2,042 | 1,744 | 3,786 | 2,019 | 1,686 | 3,705 |
| Equities | 9 | — | 3 | — | 3 | — | — | — |
| Gross total fair values | 69,359 | 74,443 | 2,106 | 1,746 | 3,852 | 2,095 | 1,687 | 3,782 |
| Offset (Note 22) | | | | | (3,674) | | | (3,674) |
| At 31 Dec 2023 | 69,359 | 74,443 | 2,106 | 1,746 | 178 | 2,095 | 1,687 | 108 |

The notional contract amounts of derivatives held for trading purposes and derivatives designated in qualifying hedge accounting indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

### Use of derivatives

We undertake derivative activity for two primary purposes: to create risk management solutions for commercial clients and to manage and hedge our own balance sheet risks.

### Hedge accounting derivatives

The group applies hedge accounting to manage the following risks: interest rate risk and foreign exchange risks. Further details on how these risks arise and how they are managed by the group can be found in the 'Risk review'.

### Hedge risk components

The group designates a portion of cash flows of a financial instrument or a group of financial instruments for a specific interest rate or foreign currency risk component in a fair value or cash flow hedge. The designated risks and portions are either contractually specified or otherwise separately identifiable components of the financial instrument that are reliably measurable. Risk-free or benchmark interest rates generally are regarded as being both separately identifiable and reliably measurable, except for the Interbank offered rate ('IBOR') Reform transition where the group designates Alternative Benchmark Rates as the hedged risk which may not have been separately identifiable upon initial designation, provided the group reasonably expects it will meet the requirement within 24 months from the first designation date. The designated risk component accounts for a significant portion of the overall changes in fair value or cash flows of the hedged items.

## Fair value hedges

The group enters into fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value due to movements in market interest rates on certain fixed rate financial instruments which are not measured at fair value through profit or loss.

### Hedging instrument by hedged risk

| | Hedging Instrument | | | | |
|---|---|---|---|---|---|
| | | Carrying amount | | | |
| | Notional amount[1] | Assets | Liabilities | Balance sheet | Change in fair value[2] |
| Hedged risk | £m | £m | £m | Presentation | £m |
| Interest rate[3] | **37,500** | **1,171** | **922** | **Derivatives** | **212** |
| **At 31 Dec 2024** | **37,500** | **1,171** | **922** | | **212** |
| | | | | | |
| Interest rate[3] | 22,928 | 1,135 | 1,086 | Derivatives | (270) |
| At 31 Dec 2023 | 22,928 | 1,135 | 1,086 | | (270) |

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.
3 The hedged risk 'interest rate' includes inflation risk.

### Hedged item by hedged risk

| | Hedged item | | | | | | Ineffectiveness | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Accumulated fair value hedge adjustments included in carrying amount[2] | | | | Recognised in profit and loss | |
| | Assets | Liabilities | Assets | Liabilities | Balance sheet | Change in fair value[1] | | Profit and loss |
| Hedged risk | £m | £m | £m | £m | presentation | £m | £m | presentation |
| Interest rate[4] | **17,224** | | **(256)** | | **Financial investments measured at fair value through other comprehensive income** | **(208)** | | **Net income from financial instruments held for trading or managed on a fair value basis** |
| | **10,670** | | **(75)** | **—** | **Loans and advances to customers** | **(24)** | | |
| | **392** | | **9** | | **Financial Investments measured at amortised cost** | **(11)** | **(7)** | |
| | | **8,433** | | **(310)** | **Subordinated Liabilities[3]** | **24** | | |
| **At 31 Dec 2024** | **28,286** | **8,433** | **(322)** | **(310)** | | **(219)** | **(7)** | |
| | | | | | | | | |
| Interest rate[4] | 12,141 | | (17) | | Financial investments measured at fair value through other comprehensive income | 465 | | Net income from financial instruments held for trading or managed on a fair value basis |
| | 2,172 | | (58) | | Loans and advances to customers | 54 | | |
| | 403 | | 25 | | Financial Investments measured at amortised cost | 26 | 4 | |
| | | 6,691 | | (285) | Subordinated Liabilities[3] | (271) | | |
| At 31 Dec 2023 | 14,716 | 6,691 | (50) | (285) | | 274 | 4 | |

1 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.
2 The accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses were assets/(liabilities) of £(8)m (2023: £(4)m) for FVOCI and liabilities of £(75)m (2023: £(58)m) for Loans and advances to customers and £(2)m (2023: £(3)m) for Financial Investments measured at amortised cost.
3 The notional amount of non-dynamic fair value hedges is equal to £8,650m (2023: £6,921m), of which the weighted-average maturity date is December 2028 (2023: January 2028) and the weighted average swap rate is 2.95% (2023: 1.89%). These hedges are all internal to HSBC Group and hedges internal funding between HSBC Group and HSBC UK.
4 The hedged risk 'interest rate' includes inflation risk.

The hedged item is either the benchmark interest rate risk portion within the fixed rate of the hedged item or the full fixed rate and it is hedged for changes in fair value due to changes in the benchmark interest rate risk.

HSBC UK applies macro fair value hedging for interest rate risk exposures on portfolios of fixed rate mortgages. These are considered to be dynamic hedges and both the hedged items and the hedging instruments are adjusted on a monthly basis when the existing hedging relationship is terminated and a new one designated. The hedged items and hedging instruments are adjusted to reflect changes in the size and maturity profile of the hedged portfolio.

Sources of hedge ineffectiveness may arise from basis risk including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value and notional and timing differences between the hedged items and hedging instruments. Hedge ineffectiveness may also arise in macro fair value hedge relationships when the actual behaviour of the hedged items differs from expectations, such as higher than expected repayments during the hedged period.

For some debt securities held, HSBC UK manages interest rate risk in a dynamic risk management strategy. The assets in scope of this strategy are high-quality fixed-rate debt securities, which may be sold to meet liquidity and funding requirements. The interest rate risk of the HSBC UK fixed-rate debt securities issued is managed in a non-dynamic risk management strategy.

The disclosures for the group are the same as the disclosures for the bank.

## Cash flow hedges

The group's cash flow hedging instruments consist principally of interest rate swaps and cross-currency swaps that are used to manage the variability in future interest cash flows of non-trading financial assets and liabilities, arising due to changes in market interest rates and foreign-currency basis.

The group applies macro cash flow hedging for interest-rate risk exposures on portfolios of replenishing current and forecasted issuances of non-trading assets and liabilities that bear interest at variable rates, including rolling such instruments. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate cash flows representing both principal balances and interest cash flows across all portfolios are used to determine the effectiveness and ineffectiveness. Macro cash flow hedges are considered to be dynamic hedges.

The group also hedges the variability in future cash-flows on foreign-denominated financial assets and liabilities arising due to changes in foreign exchange market rates with cross-currency swaps, these are considered dynamic hedges.

### Hedging instrument by hedged risk

| | Hedging Instrument | | | | | Hedged Item | Ineffectiveness | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | | |
| | Notional amount[1] | Assets | Liabilities | Balance sheet presentation | Change in fair value[2] | Change in fair value[3] | Recognised in profit and loss | Profit and loss presentation |
| Hedged risk | £m | £m | £m | | £m | £m | £m | |
| Foreign currency | **1,960** | **27** | **28** | **Derivatives** | **(16)** | **(16)** | **—** | **Net income from financial instruments held for trading or managed on a fair value basis** |
| Interest rate | **62,583** | **117** | **346** | **Derivatives** | **(1,480)** | **(1,480)** | **—** | |
| **At 31 Dec 2024** | **64,543** | **144** | **374** | | **(1,496)** | **(1,496)** | **—** | |
| Foreign currency | 75 | 2 | 1 | Derivatives | 12 | 12 | — | Net income from financial instruments held for trading or managed on a fair value basis |
| Interest rate | 51,440 | 609 | 600 | Derivatives | 537 | 536 | 1 | |
| At 31 Dec 2023 | 51,515 | 611 | 601 | | 549 | 548 | 1 | |

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.
2 Used in effectiveness testing; comprising the full fair value change of the hedging instrument not excluding any component.
3 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to timing differences between the hedged items and hedging instruments and hedges using instruments with a non-zero fair value.

The disclosures for the group are the same as the disclosures for the bank.

### Reconciliation of equity and analysis of other comprehensive income by risk type

| | Interest rate | Foreign Currency |
|---|---|---|
| | £m | £m |
| **Cash flow hedging reserve at 1 Jan 2024** | **(294)** | **1** |
| Fair value gains/(losses) | **(1,480)** | **(16)** |
| Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of: | | |
| – hedged items that have affected profit or loss | **976** | **13** |
| Income taxes | **142** | **—** |
| **Cash flow hedging reserve at 31 Dec 2024** | **(656)** | **(2)** |
| Cash flow hedging reserve at 1 Jan 2023 | (1,325) | 1 |
| Fair value gains/(losses) | 536 | 12 |
| Fair value (gains)/losses reclassified from the cash flow hedge reserve to the income statement in respect of: | | |
| – hedged items that have affected profit or loss | 896 | (12) |
| Income taxes | (401) | — |
| Cash flow hedging reserve at 31 Dec 2023 | (294) | 1 |

# 10 Financial investments

## Carrying amount of financial investments

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Financial investments measured at fair value through other comprehensive income | **21,479** | 14,496 | **21,479** | 14,496 |
| – treasury and other eligible bills | **2,128** | 884 | **2,128** | 884 |
| – debt securities | **19,350** | 13,611 | **19,350** | 13,611 |
| – equity securities | **1** | 1 | **1** | 1 |
| Debt instruments measured at amortised cost | **16,322** | 11,819 | **16,118** | 11,608 |
| – treasury and other eligible bills | **1,429** | 3,188 | **1,259** | 3,017 |
| – debt securities | **14,893** | 8,631 | **14,859** | 8,591 |
| **At 31 Dec** | **37,801** | 26,315 | **37,597** | 26,104 |

# 11 Assets pledged, collateral received and assets transferred

## Assets pledged

### Financial assets pledged as collateral

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Treasury bills and other eligible securities | **170** | 170 | **—** | — |
| Debt securities | **5,569** | 6,717 | **5,569** | 6,717 |
| Loans and advances to banks | **6,020** | 6,600 | **8,256** | 9,047 |
| Loans and advances to customers | **15,201** | 15,016 | **15,201** | 15,016 |
| Other | **941** | 116 | **941** | 116 |
| **Assets pledged at 31 Dec** | **27,901** | 28,619 | **29,967** | 30,896 |

The amount of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral. For example, where assets are placed with a custodian or a settlement agent that has a floating charge over all the assets placed to secure any liabilities under settlement accounts.

These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and borrowing, repurchase agreements and derivative margining. The group places both cash and non-cash collateral in relation to derivative transactions.

### Financial assets pledged as collateral that the counterparty has the right to sell or repledge

| | The group and bank | |
|---|---|---|
| | **2024** | 2023 |
| | **£m** | £m |
| Financial investments | **4,475** | 5,542 |
| **At 31 Dec** | **4,475** | 5,542 |

## Collateral received

The fair value of assets accepted as collateral, relating primarily to standard securities lending, reverse repurchase agreements and derivative margining, that the group and the bank is permitted to sell or repledge in the absence of default was £15,273m (2023: £10,689m). The group and the bank is obliged to return equivalent securities. These transactions are conducted under terms that are usual and customary to standard securities lending, reverse repurchase agreements and derivative margining. The fair value of financial assets accepted as collateral by the group and the bank that have been sold or repledged is £1,329m (2023: £3,456m).

## Assets transferred

The assets pledged include transfers to third parties that do not qualify for derecognition, notably secured borrowings such as debt securities held by counterparties as collateral under repurchase agreements and securities lent under securities lending agreements and mortgages to collateralise the covered bond programme. For secured borrowings, the transferred asset collateral continues to be recognised in full and a related liability, reflecting the group's obligation to repurchase the assets for a fixed price at a future date is also recognised on the balance sheet.

Where securities are swapped, the transferred asset continues to be recognised in full. There is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The group is unable to use, sell or pledge the transferred assets for the duration of these transactions, and remains exposed to interest rate risk and credit risk on these pledged assets. The counterparty's recourse is not limited to the transferred assets.

Transferred financial assets not qualifying for full derecognition and associated financial liabilities

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Carrying amount of: | | Carrying amount of: | |
| | Transferred assets | Associated liabilities | Transferred assets | Associated liabilities |
| **The group** | £m | £m | £m | £m |
| Repurchase agreements | **2,935** | **375** | 4,350 | 2,644 |
| Securities lending agreements | **1,540** | **—** | 1,192 | — |
| **The bank** | | | | |
| Repurchase agreements | **2,935** | **375** | 4,350 | 2,644 |
| Securities lending agreements | **1,540** | **—** | 1,192 | — |
| Other sales | **4,889** | **999** | 2,829 | 998 |

# 12 Interests in joint ventures

Vaultex UK Limited is a joint venture of the bank and the group. Vaultex UK Limited is incorporated in England and Wales and its principal activity is that of cash management services. At 31 December 2024, the group had a 50% interest in the £10m issued equity capital (2023: 50%).

For further detail see Note 29.

# 13 Investments in subsidiaries

Main subsidiaries of HSBC UK Bank plc

| | Country of incorporation or registration | HSBC UK Bank plc's interest in equity capital % | Share class |
|---|---|---|---|
| HSBC Equipment Finance (UK) Limited | **England and Wales** | **100.00** | **Ordinary £1** |
| HSBC Invoice Finance (UK) Limited | **England and Wales** | **100.00** | **Ordinary £1** |
| M&S Financial Services plc | **England and Wales** | **100.00** | **Ordinary £1** |
| HSBC Innovation Bank Limited | **England and Wales** | **100.00** | **Ordinary £1** |

All the above prepare their financial statements up to 31 December.

Details of all group subsidiaries, as required under Section 409 of the Companies Act 2006, are set out in Note 29. The principal country of operation is the same as the country of incorporation.

## Impairment testing of investments in subsidiaries

At each reporting period end, HSBC UK Bank plc reviews investments in subsidiaries for indicators of impairment. An impairment is recognised when the carrying amount exceeds the recoverable amount for that investment. The recoverable amount is the higher of the investment's fair value less costs of disposal and its VIU, in accordance with the requirements of IAS 36. The VIU is calculated by discounting management's cash flow projections for the investment. The cash flows represent the free cash flows based on the subsidiary's binding capital requirements.

We used a number of assumptions in our VIU calculation, in accordance with the requirements of IAS 36:

- The cash flow projections for each investment are based on the latest approved plans, which includes forecast capital available for distribution based on the capital requirements of the subsidiary taking into account minimum and core capital requirements. For the impairment test at 31 December 2024, cash flow projections until the end of 2029 were considered in line with our internal planning horizon. Our cash flow projections include known and observable climate-related opportunities and costs associated with our operating model.
- A long-term growth rate is used to extrapolate the cash flows in perpetuity. The growth rate reflects inflation and is based on the UK long-term average.
- The rate used to discount the cash flows is based on the cost of capital assigned to each investment, which is derived using a Capital asset pricing model ('CAPM') model. CAPM depends on a number of inputs reflecting financial and economic variables, including the risk free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The discount rates for each investment are refined to reflect the rates of inflation for the countries within which the investment operates. In addition, for the purposes of testing investments for impairment, management supplements this process by comparing the discount rates derived using the internally generated CAPM, with cost of capital rates produced by external sources for businesses operating in similar markets. The impacts from climate risk are included to the extent that they are observable in discount rates and asset prices.

## Impairment test results

In 2023, an impairment of £92m was recognised on the bank's investment in Marks and Spencer Financial Services plc('M&S') as the VIU calculation performed identified that the recoverable amount was below the carrying amount.

A VIU calculation was performed during 2024 using latest cash flows, long term growth rate and discount rate. While the impairment recognised in 2023 could have been partially reversed, we decided to keep the carrying value unchanged as the new Relationship Agreement with Marks and Spencer plc was only signed recently, and the execution of the plan was still at an early stage.

In 2023, an impairment of £0.1m was recognised on the bank's investment in HSBC Trust Company (UK) Limited, due to a reduction in the net assets of the entity. There was no change in the carrying value of the company in 2024.

No further impairments were recognised as a result of the impairment testing in subsidiaries performed in 2024.

# 14 Structured entities

The group is involved with both consolidated and unconsolidated structured entities through the securitisation of financial assets and investment funds, established either by the group or a third party.

## Consolidated structured entities

Total assets of the group's consolidated structured entities, split by entity type:

| | Securitisations | Other | Total |
|---|---|---|---|
| | £m | £m | £m |
| **At 31 Dec 2024** | **627** | **1,007** | **1,634** |
| At 31 Dec 2023 | 675 | 1,006 | 1,681 |

### Securitisations

The group uses a structured entity to securitise customer loans and advances to diversify its sources of funding for asset origination and capital efficiency purposes. The loans and advances are transferred by the group to the structured entity synthetically, and the structured entity issues debt securities to investors.

## Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities not controlled by the group. The group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The group's interest in unconsolidated structured entities consist of unit holdings in four funds managed by a third party within the wider HSBC Group. The group's unit holdings are held to facilitate customer transactions and are recognised as Other assets with a carrying value and maximum exposure to loss at 31 December 2024 of £0.2m (2023: £0.2m). The total assets of the funds at 31 December 2024 were £0.8bn (2023: £1.1bn). The group has no liabilities or commitments in respect of the funds.

# 15 Goodwill and intangible assets

| | The group | | The bank | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £m | £m | £m | £m |
| Goodwill | **3,281** | 3,285 | **223** | 223 |
| Other intangible assets[1] | **1,092** | 1,078 | **998** | 978 |
| **At 31 Dec** | **4,373** | 4,363 | **1,221** | 1,201 |

1 Included within the group's other intangible assets is internally generated software with a net carrying value of £1,026m (2023: £991m). During the year, capitalisation of internally generated software is £363m (2023: £321m), impairment was £9m (2023: £8m) and amortisation is £319m (2023: £295m). The amortisation and impairment of intangible assets totalled for the group £348m (2023: £319m).

## Impairment testing

The group's annual impairment test in respect of goodwill allocated to each CGU is performed at 1 October each year. A review for indicators of impairment is undertaken at 30 June and 31 December. At 31 December 2024, this review did not identify any indicators of impairment. As a result, no impairment test has been performed at 31 December 2024.

### Basis of the recoverable amount

The recoverable amount of all CGUs to which goodwill has been allocated was equal to its VIU at each respective testing date. The VIU is calculated by discounting management's cash flow projections for the CGU. At 1 October 2024, all CGUs supporting goodwill had a VIU larger than their respective carrying amounts. The key assumptions used in the VIU calculation for each CGU are discussed below.

#### Key assumptions in VIU calculation

| Cash-generating unit | Goodwill at 1 Oct 2024 £m | Discount rate % | Growth rate beyond initial cash flow projections % | Goodwill at 1 Oct 2023 £m | Discount rate % | Growth rate beyond initial cash flow projections % |
|---|---|---|---|---|---|---|
| WPB | **2,042** | **10.6** | **2.0** | 2,046 | 10.4 | 2.1 |
| CMB | **1,239** | **9.0** | **2.0** | 1,239 | 9.0 | 2.1 |
| **Total** | **3,281** | | | 3,285 | | |

The group's CGUs do not carry on their balance sheets any significant intangible assets with indefinite useful lives, other than goodwill.

**Management's judgement in estimating the cash flows of a CGU**
The cash flow projections for each CGU are based on the forecast profitability plans approved by the Board and minimal capital levels required to support the business operations of a CGU. The Board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support HSBC UK's strategy, current market conditions and macroeconomic outlook. For the 1 October 2024 impairment test, cash flow projections until the end of 2029 were considered, in line with internal planning horizon. As required by IFRS Accounting Standards, estimates of future cash flows exclude estimated cash inflows or outflows that are expected to arise from restructuring initiatives before an entity has a constructive obligation to carry out the plan, and would therefore have recognised a provision for restructuring costs. Our cash flow projections include known climate-related opportunities and costs associated with our operating model.

**Discount Rate**
The rate used to discount the cash flows is based on the cost of equity assigned to each CGU, which is derived using a CAPM and market implied cost of equity. The impacts of climate-risk are included to the extent that they are observable in discount rates and asset prices.

**Long-term growth rate**
The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the group of business units making up the CGUs. The long-term growth rate reflects inflation for the UK.

## Sensitivities of key assumptions in calculating VIU

At 1 October 2024, there were no CGUs deemed sensitive to reasonably possible adverse changes in key assumptions supporting the recoverable amounts. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input into the VIU calculation, such as the external range of discount rates observable, historical performance against forecast and risks attaching to the key assumptions underlying cash flow projections.

# 16 Prepayments, accrued income and other assets

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Prepayments and accrued income | **1,470** | 1,378 | **1,502** | 1,360 |
| Settlement accounts and items in course of collection from other banks | **390** | 369 | **220** | 182 |
| Cash collateral and margin receivables | **806** | 27 | **806** | 27 |
| Endorsements and acceptances | **38** | 32 | **38** | 32 |
| Employee benefit assets (Note 3) | **5,126** | 5,337 | **5,126** | 5,337 |
| Right-of-use assets | **153** | 169 | **143** | 145 |
| Other accounts | **945** | 922 | **1,017** | 776 |
| Owned property, plant and equipment | **375** | 371 | **374** | 354 |
| **At 31 Dec** | **9,303** | 8,605 | **9,226** | 8,213 |

For the group, prepayments, accrued income and other assets include £3,006m (2023: £2,087m), and for the bank £3,118m (2023: £1,907m) of financial assets, majority of which are measured at amortised cost.

# 17 Debt securities in issue

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Bonds and medium-term notes[1] | **573** | 574 | **150** | 150 |
| Covered bonds | **999** | 998 | **999** | 998 |
| Other debt securities in issue[2] | **472** | 416 | **472** | 416 |
| **At 31 Dec** | **2,044** | 1,988 | **1,621** | 1,564 |

1 The group's Bonds and medium-term notes includes £424m (2023: £426m) issued by structured entities.
2 Other debt securities in issue consists of commercial paper and certificates of deposits.

## 18 Accruals, deferred income and other liabilities

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Accruals and deferred income | **1,295** | 1,203 | **1,249** | 1,125 |
| Settlement accounts and items in course of transmission to other banks | **239** | 415 | **238** | 412 |
| Cash collateral and margin payable | **210** | 263 | **210** | 263 |
| Endorsements and acceptances | **41** | 38 | **41** | 38 |
| Lease liabilities | **163** | 188 | **152** | 163 |
| Other liabilities | **1,528** | 2,428 | **1,354** | 2,209 |
| **At 31 Dec** | **3,476** | 4,535 | **3,244** | 4,210 |

For the group, accruals, deferred income and other liabilities include £3,278m (2023: £4,370m), and for the bank £3,192m (2023: £4,152m) of financial liabilities, the majority of which are measured at amortised cost.

## 19 Provisions

| **The group** | **Restructuring costs** | **Legal proceedings and regulatory matters** | **Customer remediation** | **Other provisions** | **Total** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Provisions (excluding contractual commitments)** | | | | | |
| **At 1 Jan 2024** | **30** | **34** | **89** | **74** | **227** |
| Additions | **15** | **9** | **19** | **23** | **66** |
| Amounts utilised | **(17)** | **(19)** | **(31)** | **(12)** | **(79)** |
| Unused amounts reversed | **(9)** | **(23)** | **(24)** | **(16)** | **(72)** |
| Exchange and other movements | **1** | **1** | **—** | **—** | **2** |
| **At 31 Dec 2024** | **20** | **2** | **53** | **69** | **144** |
| **Contractual commitments[1]** | | | | | |
| **At 1 Jan 2024** | | | | | **123** |
| Net change in expected credit loss provision and other movements | | | | | **(2)** |
| **At 31 Dec 2024** | | | | | **121** |
| **Total provisions** | | | | | |
| At 31 Dec 2023 | | | | | 350 |
| **At 31 Dec 2024** | | | | | **265** |
| | | | | | |
| Provisions (excluding contractual commitments) | | | | | |
| At 1 Jan 2023 | 63 | 32 | 142 | 82 | 319 |
| Additions | 28 | 4 | 24 | 18 | 74 |
| Amounts utilised | (36) | (2) | (49) | (6) | (93) |
| Unused amounts reversed | (28) | — | (29) | (18) | (75) |
| Exchange and other movements | 3 | — | 1 | (2) | 2 |
| At 31 Dec 2023 | 30 | 34 | 89 | 74 | 227 |
| Contractual commitments[1] | | | | | |
| At 1 Jan 2023 | | | | | 105 |
| Net change in expected credit loss provision and other movements | | | | | 18 |
| At 31 Dec 2023 | | | | | 123 |
| Total provisions | | | | | |
| At 31 Dec 2022 | | | | | 424 |
| At 31 Dec 2023 | | | | | 350 |

1 Contractual commitments include the provision for contingent liabilities measured under IFRS 9 Financial Instruments in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and commitments.

| The bank | Restructuring costs £m | Legal proceedings and regulatory matters £m | Customer remediation £m | Other provisions £m | Total £m |
|---|---|---|---|---|---|
| **Provisions (excluding contractual commitments)** | | | | | |
| **At 1 Jan 2024** | **30** | **34** | **74** | **74** | **212** |
| Additions | **14** | **9** | **19** | **22** | **64** |
| Amounts utilised | **(17)** | **(19)** | **(29)** | **(12)** | **(77)** |
| Unused amounts reversed | **(9)** | **(23)** | **(22)** | **(16)** | **(70)** |
| Exchange and other movements | **1** | **1** | **—** | **—** | **2** |
| **At 31 Dec 2024** | **19** | **2** | **42** | **68** | **131** |
| **Contractual commitments[1]** | | | | | |
| **At 1 Jan 2024** | | | | | **115** |
| Net change in expected credit loss provision and other movements | | | | | **—** |
| **At 31 Dec 2024** | | | | | **115** |
| **Total provisions** | | | | | |
| At 31 Dec 2023 | | | | | 327 |
| **At 31 Dec 2024** | | | | | **246** |
| | | | | | |
| Provisions (excluding contractual commitments) | | | | | |
| At 1 Jan 2023 | 63 | 32 | 107 | 82 | 284 |
| Additions | 27 | 4 | 32 | 18 | 81 |
| Amounts utilised | (35) | (2) | (39) | (6) | (82) |
| Unused amounts reversed | (28) | — | (27) | (18) | (73) |
| Exchange and other movements | 3 | — | 1 | (2) | 2 |
| At 31 Dec 2023 | 30 | 34 | 74 | 74 | 212 |
| Contractual commitments[1] | | | | | |
| At 1 Jan 2023 | | | | | 102 |
| Net change in expected credit loss provision and other movements | | | | | 13 |
| At 31 Dec 2023 | | | | | 115 |
| Total provisions | | | | | |
| At 31 Dec 2022 | | | | | 386 |
| At 31 Dec 2023 | | | | | 327 |

1 Contractual commitments include the provision for contingent liabilities measured under IFRS 9 Financial Instruments in respect of financial guarantees and the expected credit loss provision on off-balance sheet guarantees and commitments.

## Customer remediation

Customer remediation refers to HSBC UK's activities to compensate customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Customer remediation is often initiated by HSBC UK in response to customer complaints and/or industry developments in sales practices, and is not necessarily initiated by regulatory action.

## Restructuring costs

The restructuring costs provision is for costs associated with the group's transformation programme.

## Legal proceedings and regulatory matters

Further details of 'Legal proceedings and regulatory matters' are set out in Note 26. Legal proceedings include civil court, arbitration or tribunal proceedings brought against the group (whether by way of claim or counterclaim), or civil disputes that may, if not settled, result in court, arbitration or tribunal proceedings. Regulatory matters refer to investigations, reviews and other actions carried out by, or in response to the actions of, regulatory or law enforcement agencies in connection with alleged wrongdoing.

# 20 Subordinated liabilities

## Subordinated liabilities

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| At amortised cost[1] | **15,686** | 14,598 | **15,686** | 14,598 |
| **At 31 Dec** | **15,686** | 14,598 | **15,686** | 14,598 |

1 Includes £12.5bn (2023: £11.3bn) of eligible debt issued to meet our Minimum requirement for own funds and Eligible Liabilities applicable from 1 January 2020.

Subordinated liabilities rank behind senior obligations and generally count towards the capital base of the group. Capital securities may be called and redeemed by the group subject to prior notification to and consent of the PRA.

The balance sheet amounts disclosed below are presented on an IFRS basis and do not reflect the amount that the instruments contribute to regulatory capital principally due to regulatory amortisation and regulatory eligibility limits.

## Subordinated liabilities of the group

| | | | | Carrying amount | |
|---|---|---|---|---|---|
| | | | | **2024** | 2023 |
| | | First call date | Maturity date | **£m** | £m |
| **Capital instruments** | | | | | |
| **Tier 2 instruments** | | | | | |
| £550m | HSBC UK Bank plc Subordinated Floating Loan due 2033[1] | Jul 2028 | Jul 2033 | **548** | 548 |
| $840m | HSBC UK Bank plc Subordinated Floating Loan due 2033[2] | Jul 2028 | Jul 2033 | **668** | 656 |
| £100m | HSBC UK Bank plc 2.8594% Subordinated Loan due 2029 | Mar 2024 | Mar 2029 | **—** | 100 |
| £1,000m | HSBC UK Bank plc Subordinated Floating Loan due 2030[3] | Jul 2025 | Jul 2030 | **1,000** | 1,000 |
| £650m | HSBC UK Bank plc Subordinated Floating Loan due 2033[4] | Sep 2028 | Sep 2033 | **650** | 650 |
| £79m | HSBC UK Bank plc 2.1250% Subordinated Loan due 2031 | Mar 2026 | Mar 2031 | **79** | 79 |
| £250m | HSBC UK Bank plc 6.8960% Subordinated Loan due 2033 | Dec 2028 | Dec 2033 | **248** | 255 |
| **Other instruments** | | | | | |
| **Subordinated loan instruments not eligible for inclusion in regulatory capital** | | | | | |
| $2000m | HSBC UK Bank plc 0.9760% MREL eligible Subordinated Loan due 2025 | May 2024 | May 2025 | **—** | 1,536 |
| £350m | HSBC UK Bank plc 1.8777% MREL eligible Subordinated Loan due 2025 | Oct 2024 | Oct 2025 | **—** | 350 |
| £150m | HSBC UK Bank plc 2.1003% MREL eligible Subordinated Loan due 2025 | Oct 2024 | Oct 2025 | **—** | 150 |
| €500m | HSBC UK Bank plc MREL eligible Subordinated Floating Loan due 2026[5] | Sep 2025 | Sep 2026 | **415** | 437 |
| £1,000m | HSBC UK Bank plc 1.1250% MREL eligible Subordinated Loan due 2026 | Nov 2025 | Nov 2026 | **1,000** | 1,000 |
| £1,000m | HSBC UK Bank plc 1.7500% MREL eligible Subordinated Loan due 2027 | Jul 2026 | Jul 2027 | **999** | 999 |
| £1,000m | HSBC UK Bank plc 3.0000% MREL eligible Subordinated Loan due 2028 | Jul 2027 | Jul 2028 | **929** | 922 |
| £1,000m | HSBC UK Bank plc 1.7500% MREL eligible Subordinated Loan due 2029 | Aug 2028 | Aug 2029 | **1,000** | 1,000 |
| $3000m | HSBC UK Bank plc 3.9730% MREL eligible Subordinated Loan due 2030 | May 2029 | May 2030 | **2,201** | 2,181 |
| £750m | HSBC UK Bank plc 3.0000% MREL eligible Subordinated Loan due 2030 | May 2029 | May 2030 | **660** | 666 |
| £1,000m | HSBC UK Bank plc MREL eligible Subordinated Floating Loan due 2029[6] | Apr 2028 | Apr 2029 | **998** | 998 |
| £1,000m | HSBC UK Bank plc 6.8000% MREL eligible Subordinated Loan due 2031 | Sep 2030 | Sep 2031 | **1,023** | 1,071 |
| $1,850m | HSBC UK Bank plc 5.597% MREL eligible Subordinated Loan due 2028 | May 2027 | May 2028 | **1,486** | — |
| €1,250m | HSBC UK Bank plc 3.755% MREL eligible Subordinated Loan due 2029 | May 2028 | May 2029 | **1,056** | — |
| £750m | HSBC UK Bank plc 5.290% MREL eligible Subordinated Loan due 2032 | Sep 2031 | Sep 2032 | **726** | — |
| **At 31 Dec** | | | | **15,686** | 14,598 |

1 The floating rate of interest is Sterling Overnight Index Average ('Sonia') plus 3.37%.
2 The floating rate of interest is Secured Overnight Financing Rate('SOFR') plus 3.03%.
3 The floating rate of interest is Sonia plus 1.89%.
4 The floating rate of interest is Sonia plus 2.14%.
5 The floating rate of interest is three month Euro interbank offered rate ('Euribor') plus 1.00%.
6 The floating rate of interest is Sonia plus 2.03%.

## 21 Maturity analysis of assets, liabilities and off-balance sheet commitments

The following table provides an analysis of consolidated total assets, liabilities and off-balance sheet commitments by residual contractual maturity at the balance sheet date. These balances are included in the maturity analysis as follows:

- Trading derivatives are included in the 'Due not more than 1 month' time bucket, because trading balances are typically held for short periods of time.
- Financial assets and liabilities with no contractual maturity (such as equity securities) are included in the 'Due over 5 years' time bucket. Undated or perpetual instruments are classified based on the contractual notice period which the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are included in the 'Due over 5 years' time bucket.
- Non-financial assets and liabilities with no contractual maturity are included in the 'Due over 5 years' time bucket.
- Loan and other credit-related commitments are classified on the basis of the earliest date they can be drawn down.

Maturity analysis of assets, liabilities and off-balance sheet commitments

| | Due not more than 1 month | Due over 1 month but not more than 3 months | Due over 3 months but not more than 6 months | Due over 6 months but not more than 9 months | Due over 9 months but not more than 1 year | Due over 1 year but not more than 2 years | Due over 2 years but not more than 5 years | Due over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **The group** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Cash and balances at central banks | 52,276 | — | — | — | — | — | — | — | 52,276 |
| Hong Kong Government certificates of indebtedness | — | — | — | — | — | — | — | — | — |
| Trading assets | — | — | — | — | — | — | — | — | — |
| Financial assets mandatorily measured at fair value | 135 | — | — | — | — | — | — | 39 | 174 |
| Derivatives | 201 | — | 6 | 8 | 10 | 10 | 16 | 47 | 298 |
| Loans and advances to banks | 7,263 | — | — | — | — | — | — | — | 7,263 |
| Loans and advances to customers | 17,936 | 9,421 | 5,613 | 5,699 | 6,191 | 17,815 | 42,915 | 112,014 | 217,604 |
| – personal | 6,388 | 2,639 | 1,986 | 1,975 | 1,912 | 7,132 | 19,929 | 104,774 | 146,735 |
| – corporate and commercial | 10,690 | 5,314 | 2,418 | 2,154 | 3,382 | 9,744 | 22,107 | 6,918 | 62,727 |
| – financial | 858 | 1,468 | 1,209 | 1,570 | 897 | 939 | 879 | 322 | 8,142 |
| Reverse repurchase agreements – non-trading | 7,285 | 1,923 | 725 | — | 1,843 | — | — | — | 11,776 |
| Financial investments | 2,188 | 1,623 | 1,407 | 537 | 3,322 | 3,656 | 11,108 | 13,960 | 37,801 |
| Accrued income and other financial assets | 2,612 | 262 | 88 | 14 | 22 | 3 | 3 | — | 3,004 |
| **Total financial assets at 31 Dec 2024** | 89,896 | 13,229 | 7,839 | 6,258 | 11,388 | 21,484 | 54,042 | 126,060 | 330,196 |
| Non-financial assets | — | — | — | — | — | — | — | 10,681 | 10,681 |
| **Total assets at 31 Dec 2024** | 89,896 | 13,229 | 7,839 | 6,258 | 11,388 | 21,484 | 54,042 | 136,741 | 340,877 |
| **Off-balance sheet commitments received** | | | | | | | | | |
| Loan and other credit-related commitments | 1,316 | — | — | — | — | — | — | — | 1,316 |
| **Financial liabilities** | | | | | | | | | |
| Deposits by banks | 833 | 11 | 500 | — | 3,040 | — | 6,760 | — | 11,144 |
| Customer accounts[1] | 265,481 | 5,010 | 2,961 | 2,832 | 3,150 | 920 | 12 | — | 280,366 |
| – personal | 163,612 | 1,362 | 1,963 | 2,618 | 2,946 | 896 | 10 | — | 173,407 |
| – corporate and commercial | 89,751 | 3,489 | 903 | 205 | 196 | 23 | 2 | — | 94,569 |
| – financial | 12,118 | 159 | 95 | 9 | 8 | 1 | — | — | 12,390 |
| Repurchase agreements – non-trading | 420 | — | — | — | — | — | — | — | 420 |
| Derivatives | 63 | — | — | — | — | 10 | 25 | 9 | 107 |
| Debt securities in issue | 69 | 404 | — | 150 | — | 212 | 998 | 211 | 2,044 |
| Accruals and other financial liabilities | 2,513 | 391 | 127 | 104 | 22 | 37 | 53 | 31 | 3,278 |
| Subordinated liabilities | — | — | — | 1,415 | 1,000 | 1,078 | 10,444 | 1,749 | 15,686 |
| **Total financial liabilities at 31 Dec 2024** | 269,379 | 5,816 | 3,588 | 4,501 | 7,212 | 2,257 | 18,292 | 2,000 | 313,045 |
| Non-financial liabilities | — | — | — | — | — | — | — | 1,861 | 1,861 |
| **Total liabilities at 31 Dec 2024** | 269,379 | 5,816 | 3,588 | 4,501 | 7,212 | 2,257 | 18,292 | 3,861 | 314,906 |
| **Off-balance sheet commitments given** | | | | | | | | | |
| Loan and other credit-related commitments | 77,295 | 45 | 4 | 58 | 31 | 2 | 46 | 78 | 77,559 |
| – personal | 40,795 | — | — | — | — | — | — | — | 40,795 |
| – corporate and commercial | 30,950 | 45 | 4 | 58 | 31 | 2 | 46 | 78 | 31,214 |
| – financial | 5,550 | — | — | — | — | — | — | — | 5,550 |

## Maturity analysis of assets, liabilities and off-balance sheet commitments (continued)

| | Due not more than 1 month | Due over 1 month but not more than 3 months | Due over 3 months but not more than 6 months | Due over 6 months but not more than 9 months | Due over 9 months but not more than 1 year | Due over 1 year but not more than 2 years | Due over 2 years but not more than 5 years | Due over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| The group | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and balances at central banks | 65,719 | — | — | — | — | — | — | — | 65,719 |
| Financial assets mandatorily measured at fair value | 89 | — | — | — | — | — | — | 46 | 135 |
| Derivatives | 73 | 1 | — | — | 1 | 4 | 25 | 74 | 178 |
| Loans and advances to banks | 6,947 | 111 | 922 | — | — | — | — | — | 7,980 |
| Loans and advances to customers | 16,357 | 9,502 | 6,562 | 5,339 | 5,877 | 19,294 | 40,853 | 108,103 | 211,887 |
| – personal | 6,280 | 2,490 | 1,980 | 1,907 | 1,897 | 7,047 | 19,955 | 101,056 | 142,612 |
| – corporate and commercial | 9,536 | 5,596 | 3,366 | 2,015 | 3,290 | 11,103 | 20,413 | 6,659 | 61,978 |
| – financial | 541 | 1,416 | 1,216 | 1,417 | 690 | 1,144 | 485 | 388 | 7,297 |
| Reverse repurchase agreements – non-trading | 2,257 | 3,334 | 1,195 | — | 900 | — | — | — | 7,686 |
| Financial investments | 1,273 | 2,275 | 1,270 | 386 | 412 | 1,942 | 5,963 | 12,794 | 26,315 |
| Accrued income and other financial assets | 1,719 | 256 | 90 | 9 | 10 | 1 | 4 | — | 2,089 |
| Total financial assets at 31 Dec 2023 | 94,434 | 15,479 | 10,039 | 5,734 | 7,200 | 21,241 | 46,845 | 121,017 | 321,989 |
| Non-financial assets | — | — | — | — | — | — | — | 10,887 | 10,887 |
| Total assets at 31 Dec 2023 | 94,434 | 15,479 | 10,039 | 5,734 | 7,200 | 21,241 | 46,845 | 131,904 | 332,876 |
| Off-balance sheet commitments received | | | | | | | | | |
| Loan and other credit-related commitments | — | — | — | — | — | — | — | — | — |
| Financial liabilities | | | | | | | | | |
| Deposits by banks | 519 | 24 | — | — | — | 500 | 9,800 | — | 10,843 |
| Customer accounts[1] | 253,400 | 4,615 | 2,876 | 2,378 | 3,363 | 1,652 | 61 | — | 268,345 |
| – personal | 159,488 | 1,028 | 1,639 | 2,048 | 3,112 | 1,619 | 56 | — | 168,990 |
| – corporate and commercial | 89,054 | 3,311 | 1,180 | 320 | 248 | 30 | 5 | — | 94,148 |
| – financial | 4,858 | 276 | 57 | 10 | 3 | 3 | — | — | 5,207 |
| Repurchase agreements – non-trading | 4,652 | — | — | — | — | — | — | — | 4,652 |
| Derivatives | 91 | — | — | — | — | 2 | 6 | 9 | 108 |
| Debt securities in issue | 47 | 368 | — | 150 | — | — | 1,204 | 219 | 1,988 |
| Accruals and other financial liabilities | 3,269 | 484 | 306 | 143 | 26 | 38 | 70 | 32 | 4,368 |
| Subordinated liabilities | — | 100 | 1,536 | — | 500 | 2,438 | 6,106 | 3,918 | 14,598 |
| Total financial liabilities at 31 Dec 2023 | 261,978 | 5,591 | 4,718 | 2,671 | 3,889 | 4,630 | 17,247 | 4,178 | 304,902 |
| Non-financial liabilities | — | — | — | — | — | — | — | 1,904 | 1,904 |
| Total liabilities at 31 Dec 2023 | 261,978 | 5,591 | 4,718 | 2,671 | 3,889 | 4,630 | 17,247 | 6,082 | 306,806 |
| Off-balance sheet commitments given | | | | | | | | | |
| Loan and other credit-related commitments | 72,921 | 24 | 2 | — | 15 | 111 | 48 | 71 | 73,192 |
| – personal | 41,180 | — | — | — | — | — | — | — | 41,180 |
| – corporate and commercial | 28,399 | 24 | 2 | — | 15 | 111 | 48 | 71 | 28,670 |
| – financial | 3,342 | — | — | — | — | — | — | — | 3,342 |

1 'Customer accounts' includes £135,366m (2023: £133,791m) insured by guarantee schemes.

Maturity analysis of assets, liabilities and off-balance sheet commitments

| | Due not more than 1 month | Due over 1 month but not more than 3 months | Due over 3 months but not more than 6 months | Due over 6 months but not more than 9 months | Due over 9 months but not more than 1 year | Due over 1 year but not more than 2 years | Due over 2 years but not more than 5 years | Due over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **The bank** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Cash and balances at central banks | 52,275 | — | — | — | — | — | — | — | 52,275 |
| Financial assets mandatorily measured at fair value | 135 | — | — | — | — | — | — | 39 | 174 |
| Derivatives | 202 | — | 6 | 8 | 10 | 10 | 16 | 43 | 295 |
| Loans and advances to banks | 9,666 | 381 | 546 | 187 | 182 | 683 | 1,421 | 4 | 13,070 |
| Loans and advances to customers | 19,242 | 5,219 | 4,251 | 4,402 | 5,155 | 17,028 | 39,586 | 111,304 | 206,187 |
| – personal | 4,101 | 2,358 | 1,886 | 1,878 | 1,820 | 6,807 | 19,427 | 104,716 | 142,993 |
| – corporate and commercial | 8,724 | 2,348 | 1,985 | 1,999 | 3,053 | 8,808 | 18,673 | 6,183 | 51,773 |
| – financial | 6,417 | 513 | 380 | 525 | 282 | 1,413 | 1,486 | 405 | 11,421 |
| Reverse repurchase agreements – non-trading | 7,285 | 1,923 | 725 | — | 1,843 | — | — | — | 11,776 |
| Financial investments | 2,188 | 1,453 | 1,407 | 537 | 3,322 | 3,657 | 11,107 | 13,926 | 37,597 |
| Accrued income and other financial assets | 2,788 | 214 | 83 | 13 | 20 | — | — | — | 3,118 |
| **Total financial assets at 31 Dec 2024** | 93,781 | 9,190 | 7,018 | 5,147 | 10,532 | 21,378 | 52,130 | 125,316 | 324,492 |
| Non-financial assets | — | — | — | — | — | — | — | 8,482 | 8,482 |
| **Total assets at 31 Dec 2024** | 93,781 | 9,190 | 7,018 | 5,147 | 10,532 | 21,378 | 52,130 | 133,798 | 332,974 |
| **Off-balance sheet commitments received** | | | | | | | | | |
| Loan and other credit-related commitments | 1,346 | — | — | — | — | — | — | — | 1,346 |
| **Financial liabilities** | | | | | | | | | |
| Deposits by banks | 2,132 | 89 | 636 | 119 | 3,191 | 453 | 7,660 | 500 | 14,780 |
| Customer accounts[1] | 260,209 | 4,355 | 2,907 | 2,788 | 3,062 | 837 | 2 | — | 274,160 |
| – personal | 163,152 | 1,322 | 1,910 | 2,574 | 2,858 | 813 | — | — | 172,629 |
| – corporate and commercial | 85,366 | 2,898 | 902 | 205 | 196 | 23 | 2 | — | 89,592 |
| – financial | 11,691 | 135 | 95 | 9 | 8 | 1 | — | — | 11,939 |
| Repurchase agreements – non-trading | 420 | — | — | — | — | — | — | — | 420 |
| Derivatives | 63 | — | — | — | — | 10 | 25 | 9 | 107 |
| Debt securities in issue | 69 | 404 | — | 150 | — | — | 998 | — | 1,621 |
| Accruals and other financial liabilities | 2,488 | 343 | 123 | 103 | 22 | 35 | 47 | 30 | 3,191 |
| Subordinated liabilities | — | — | — | 1,415 | 1,000 | 1,078 | 10,444 | 1,749 | 15,686 |
| **Total financial liabilities at 31 Dec 2024** | 265,381 | 5,191 | 3,666 | 4,575 | 7,275 | 2,413 | 19,176 | 2,288 | 309,965 |
| Non-financial liabilities | — | — | — | — | — | — | — | 1,551 | 1,551 |
| **Total liabilities at 31 Dec 2024** | 265,381 | 5,191 | 3,666 | 4,575 | 7,275 | 2,413 | 19,176 | 3,839 | 311,516 |
| **Off-balance sheet commitments given** | | | | | | | | | |
| Loan and other credit-related commitments | 60,288 | — | — | — | — | — | — | — | 60,288 |
| – personal | 29,955 | — | — | — | — | — | — | — | 29,955 |
| – corporate and commercial | 27,479 | — | — | — | — | — | — | — | 27,479 |
| – financial | 2,854 | — | — | — | — | — | — | — | 2,854 |

Maturity analysis of assets, liabilities and off-balance sheet commitments (continued)

| | Due not more than 1 month | Due over 1 month but not more than 3 months | Due over 3 months but not more than 6 months | Due over 6 months but not more than 9 months | Due over 9 months but not more than 1 year | Due over 1 year but not more than 2 years | Due over 2 years but not more than 5 years | Due over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| The bank | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and balances at central banks | 65,719 | — | — | — | — | — | — | — | 65,719 |
| Financial assets mandatorily measured at fair value | 89 | — | — | — | — | — | — | 46 | 135 |
| Derivatives | 73 | 1 | — | — | 1 | 4 | 25 | 71 | 175 |
| Loans and advances to banks | 9,831 | 456 | 1,395 | 155 | 152 | 505 | 1,148 | — | 13,642 |
| Loans and advances to customers | 19,065 | 4,715 | 4,364 | 3,961 | 5,147 | 18,387 | 37,953 | 107,422 | 201,014 |
| – personal | 3,992 | 2,223 | 1,885 | 1,817 | 1,813 | 6,758 | 19,564 | 101,030 | 139,082 |
| – corporate and commercial | 9,267 | 2,159 | 2,130 | 1,888 | 3,032 | 10,012 | 17,243 | 5,909 | 51,640 |
| – financial | 5,806 | 333 | 349 | 256 | 302 | 1,617 | 1,146 | 483 | 10,292 |
| Reverse repurchase agreements – non-trading | 2,257 | 3,334 | 1,195 | — | 900 | — | — | — | 7,686 |
| Financial investments | 1,273 | 2,105 | 1,270 | 386 | 412 | 1,942 | 5,962 | 12,754 | 26,104 |
| Accrued income and other financial assets | 1,631 | 175 | 85 | 8 | 9 | — | — | — | 1,908 |
| Total financial assets at 31 Dec 2023 | 99,938 | 10,786 | 8,309 | 4,510 | 6,621 | 20,838 | 45,088 | 120,293 | 316,383 |
| Non-financial assets | — | — | — | — | — | — | — | 8,429 | 8,429 |
| Total assets at 31 Dec 2023 | 99,938 | 10,786 | 8,309 | 4,510 | 6,621 | 20,838 | 45,088 | 128,722 | 324,812 |
| Financial liabilities | | | | | | | | | |
| Deposits by banks | 2,144 | 67 | 92 | 77 | 112 | 765 | 10,413 | 450 | 14,120 |
| Customer accounts[1] | 249,185 | 3,280 | 2,658 | 2,348 | 3,286 | 1,580 | 5 | — | 262,342 |
| – personal | 158,993 | 987 | 1,598 | 2,019 | 3,048 | 1,547 | — | — | 168,192 |
| – corporate and commercial | 85,708 | 2,141 | 1,019 | 319 | 235 | 30 | 5 | — | 89,457 |
| – financial | 4,484 | 152 | 41 | 10 | 3 | 3 | — | — | 4,693 |
| Repurchase agreements – non-trading | 4,652 | — | — | — | — | — | — | — | 4,652 |
| Derivatives | 90 | — | — | — | — | 2 | 7 | 9 | 108 |
| Debt securities in issue | 48 | 368 | — | 150 | — | — | 998 | — | 1,564 |
| Accruals and other financial liabilities | 3,135 | 429 | 302 | 141 | 25 | 34 | 57 | 28 | 4,151 |
| Subordinated liabilities | — | 100 | 1,536 | — | 500 | 2,438 | 6,106 | 3,918 | 14,598 |
| Total financial liabilities at 31 Dec 2023 | 259,254 | 4,244 | 4,588 | 2,716 | 3,923 | 4,819 | 17,586 | 4,405 | 301,535 |
| Non-financial liabilities | — | — | — | — | — | — | — | 1,712 | 1,712 |
| Total liabilities at 31 Dec 2023 | 259,254 | 4,244 | 4,588 | 2,716 | 3,923 | 4,819 | 17,586 | 6,117 | 303,247 |
| Off-balance sheet commitments given | | | | | | | | | |
| Loan and other credit-related commitments | 56,063 | — | — | — | — | — | — | — | 56,063 |
| – personal | 30,562 | — | — | — | — | — | — | — | 30,562 |
| – corporate and commercial | 24,617 | — | — | — | — | — | — | — | 24,617 |
| – financial | 884 | — | — | — | — | — | — | — | 884 |

1 'Customer accounts' includes £134,391m (2023: £132,847m) insured by guarantee schemes.

## Contractual maturity of financial liabilities

The following table shows, on an undiscounted basis, all cash flows relating to principal and future coupon payments (except for derivatives not treated as hedging derivatives). For this reason, balances in the table below do not agree directly with those in our consolidated balance sheet and the bank's balance sheet. Undiscounted cash flows payable in relation to hedging derivative liabilities are classified according to their contractual maturities. Derivatives not treated as hedging derivatives are included in the 'Due not more than 1 month' time bucket and not by contractual maturity.

In addition, loans and other credit-related commitments, financial guarantees and similar contracts are generally not recognised on our balance sheet. The undiscounted cash flows potentially payable under loan and other credit-related commitments and financial guarantees are classified on the basis of the earliest date they can be called.

Cash flows payable under financial liabilities by remaining contractual maturities

| The group | Due not more than 1 month £m | Due over 1 month but not more than 3 months £m | Due over 3 months but not more than 1 year £m | Due over 1 year but not more than 5 years £m | Due over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Deposits by banks | 881 | 107 | 3,924 | 7,233 | — | 12,145 |
| Customer accounts | 265,541 | 5,065 | 9,100 | 1,005 | — | 280,711 |
| Repurchase agreements – non-trading | 420 | — | — | — | — | 420 |
| Derivatives | 62 | 154 | 411 | 895 | 771 | 2,293 |
| Debt securities in issue | 69 | 419 | 191 | 1,501 | 244 | 2,424 |
| Subordinated liabilities | 62 | 122 | 2,933 | 13,123 | 1,845 | 18,085 |
| Other financial liabilities | 2,018 | 293 | 183 | 105 | 36 | 2,635 |
| | 269,053 | 6,160 | 16,742 | 23,862 | 2,896 | 318,713 |
| Loan and other credit-related commitments | 77,296 | 45 | 93 | 47 | 78 | 77,559 |
| Financial guarantees | 1,046 | — | — | — | — | 1,046 |
| **At 31 Dec 2024** | 347,395 | 6,205 | 16,835 | 23,909 | 2,974 | 397,318 |
| Proportion of cash flows payable in period % | 87 | 2 | 4 | 6 | 1 | 100 |
| | | | | | | |
| Deposits by banks | 560 | 106 | 367 | 12,257 | — | 13,290 |
| Customer accounts | 253,436 | 4,658 | 8,744 | 1,818 | — | 268,656 |
| Repurchase agreements – non-trading | 4,568 | 84 | — | — | — | 4,652 |
| Derivatives | 91 | 148 | 449 | 874 | 939 | 2,501 |
| Debt securities in issue | 48 | 382 | 192 | 1,598 | 268 | 2,488 |
| Subordinated liabilities | 49 | 196 | 2,430 | 9,976 | 4,034 | 16,685 |
| Other financial liabilities | 2,804 | 390 | 411 | 121 | 36 | 3,762 |
| | 261,556 | 5,964 | 12,593 | 26,644 | 5,277 | 312,034 |
| Loan and other credit-related commitments | 72,921 | 24 | 16 | 160 | 71 | 73,192 |
| Financial guarantees | 1,122 | — | — | — | — | 1,122 |
| At 31 Dec 2023 | 335,599 | 5,988 | 12,609 | 26,804 | 5,348 | 386,348 |
| Proportion of cash flows payable in period % | 87 | 2 | 3 | 7 | 1 | 100 |

| The bank | Due not more than 1 month £m | Due over 1 month but not more than 3 months £m | Due over 3 months but not more than 1 year £m | Due over 1 year but not more than 5 years £m | Due over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Deposits by banks | 2,188 | 200 | 4,390 | 8,834 | 729 | 16,341 |
| Customer accounts | 260,250 | 4,406 | 8,914 | 913 | — | 274,483 |
| Repurchase agreements – non-trading | 420 | — | — | — | — | 420 |
| Derivatives | 62 | 154 | 411 | 895 | 771 | 2,293 |
| Debt securities in issue | 69 | 406 | 156 | 1,166 | — | 1,797 |
| Subordinated liabilities | 62 | 122 | 2,933 | 13,123 | 1,845 | 18,085 |
| Other financial liabilities | 2,013 | 254 | 180 | 96 | 35 | 2,578 |
| | 265,064 | 5,542 | 16,984 | 25,027 | 3,380 | 315,997 |
| Loan and other credit-related commitments | 60,289 | — | — | — | — | 60,289 |
| Financial guarantees | 1,038 | — | — | — | — | 1,038 |
| **At 31 Dec 2024** | 326,391 | 5,542 | 16,984 | 25,027 | 3,380 | 377,324 |
| Proportion of cash flows payable in period % | 86 | 1 | 5 | 7 | 1 | 100 |
| | | | | | | |
| Deposits by banks | 2,191 | 157 | 685 | 13,290 | 647 | 16,970 |
| Customer accounts | 249,216 | 3,316 | 8,416 | 1,691 | — | 262,639 |
| Repurchase agreements – non-trading | 4,568 | 84 | — | — | — | 4,652 |
| Derivatives | 90 | 148 | 449 | 873 | 939 | 2,499 |
| Debt securities in issue | 48 | 370 | 156 | 1,240 | — | 1,814 |
| Subordinated liabilities | 49 | 196 | 2,430 | 9,976 | 4,034 | 16,685 |
| Other financial liabilities | 2,685 | 343 | 404 | 103 | 31 | 3,566 |
| | 258,847 | 4,614 | 12,540 | 27,173 | 5,651 | 308,825 |
| Loan and other credit-related commitments | 56,063 | — | — | — | — | 56,063 |
| Financial guarantees | 1,122 | — | — | — | — | 1,122 |
| At 31 Dec 2023 | 316,032 | 4,614 | 12,540 | 27,173 | 5,651 | 366,010 |
| Proportion of cash flows payable in period % | 86 | 1 | 4 | 7 | 2 | 100 |

# 22 Offsetting of financial assets and financial liabilities

In the offsetting of financial assets and financial liabilities, the net amount is reported in the balance sheet when the offsetting criteria is met. This is achieved when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In the following table, the 'Amounts not set off in the balance sheet' include transactions where:

- the counterparty has an offsetting exposure with the group and a master netting or similar arrangement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collateral (debt securities) has been received/pledged for derivatives and reverse repurchase/repurchase, stock borrowing/lending and similar agreements to cover net exposure in the event of a default or other predetermined events.

The effect of over-collateralisation is excluded.

Amounts not subject to enforceable master netting agreements' include contracts executed in jurisdictions where the rights of set off may not be upheld under the local bankruptcy laws.

For risk management purposes, the net amounts of loans and advances to customers are subject to limits, which are monitored and the relevant customer agreements are subject to review and updated, as necessary, to ensure that the legal right of offset remains appropriate.

| | Amounts subject to enforceable netting arrangements | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amounts not set off in the balance sheet | | | | |
| | Gross amounts | Amounts offset | Net amounts in the balance sheet | Financial instruments, including non-cash collateral | Cash collateral | Net amount | Amounts not subject to enforceable netting arrangements[4] | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **Financial assets** | | | | | | | | |
| Derivatives[1] (Note 9) | **2,821** | **(2,526)** | **295** | **(88)** | **(207)** | **—** | **3** | **298** |
| Reverse repos, stock borrowing and similar agreements classified as: | | | | | | | | |
| – non-trading assets | **15,659** | **(3,883)** | **11,776** | **(11,776)** | **—** | **—** | **—** | **11,776** |
| Loans and advances to customers[2] | **6,037** | **(2,067)** | **3,970** | **(3,310)** | **—** | **660** | **—** | **3,970** |
| **At 31 Dec 2024** | **24,517** | **(8,476)** | **16,041** | **(15,174)** | **(207)** | **660** | **3** | **16,044** |
| | | | | | | | | |
| Derivatives[1] (Note 9) | 3,849 | (3,674) | 175 | (37) | (128) | 10 | 3 | 178 |
| Reverse repos, stock borrowing and similar agreements classified as: | | | | | | | | |
| – non-trading assets | 10,936 | (3,250) | 7,686 | (7,686) | — | — | — | 7,686 |
| Loans and advances to customers[2] | 5,652 | (1,910) | 3,742 | (2,922) | — | 820 | — | 3,742 |
| At 31 Dec 2023 | 20,437 | (8,834) | 11,603 | (10,645) | (128) | 830 | 3 | 11,606 |
| **Financial liabilities** | | | | | | | | |
| Derivatives[1] (Note 9) | **2,633** | **(2,526)** | **107** | **(55)** | **(48)** | **4** | **—** | **107** |
| Repos, stock lending and similar agreements classified as: | | | | | | | | |
| – non-trading liabilities | **4,303** | **(3,883)** | **420** | **(420)** | **—** | **—** | **—** | **420** |
| Customer accounts[3] | **9,949** | **(2,067)** | **7,882** | **(3,310)** | **—** | **4,572** | **6** | **7,888** |
| **At 31 Dec 2024** | **16,885** | **(8,476)** | **8,409** | **(3,785)** | **(48)** | **4,576** | **6** | **8,415** |
| | | | | | | | | |
| Derivatives[1] (Note 9) | 3,782 | (3,674) | 108 | (86) | (18) | 4 | — | 108 |
| Repos, stock lending and similar agreements classified as: | | | | | | | | |
| – non-trading liabilities | 7,902 | (3,250) | 4,652 | (4,652) | — | — | — | 4,652 |
| Customer accounts[3] | 8,790 | (1,910) | 6,880 | (2,922) | — | 3,958 | 4 | 6,884 |
| At 31 Dec 2023 | 20,474 | (8,834) | 11,640 | (7,660) | (18) | 3,962 | 4 | 11,644 |

1 At 31 December 2024, the amount of cash margin received that had been offset against the gross derivatives assets was £7m (2023: Nil). The amount of cash margin paid that had been offset against the gross derivatives liabilities was £618m (2023: £353m).
2 At 31 December 2024, the total amount of 'Loans and advances to customers' recognised on the balance sheet was £217,604m (2023: £211,877m) of which £3,970m (2023: £3,742m) was subject to offsetting.
3 At 31 December 2024, the total amount of 'Customer accounts' recognised on the balance sheet was £280,366m (2023: £268,345m) of which £7,882m (2023: £6,880m) was subject to offsetting.
4 This includes exposures that continue to be secured by financial collateral.

# 23 Called up share capital and other equity instruments

## Called up share capital and share premium

HSBC UK Bank plc ordinary shares of £1.00 each, issued and fully paid

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Number** | **£m** | Number | £m |
| At 1 Jan | **50,002** | **—** | 50,002 | — |
| Capitalisation of group reorganisation reserve through bonus share issuance | **5,248,464,979** | **5,248** | — | — |
| Less: Bonus shares cancelled | **(5,248,464,979)** | **(5,248)** | — | — |
| **At 31 Dec** | **50,002** | **—** | 50,002 | — |

HSBC UK Bank plc share premium

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| At 1 Jan | **9,015** | 9,015 |
| Reclassification to retained earnings | **(9,015)** | — |
| **At 31 Dec** | **—** | 9,015 |

Total called up share capital and share premium

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| At 31 Dec | **—** | 9,015 |

The cancellation of the bonus shares and the share premium account was approved by the High Court of Justice in England and Wales on 19 November 2024 and it took effect upon the Court order being registered with Companies House on 12 December 2024, creating additional retained earnings of £14.2bn.

## Other equity instruments

HSBC UK Bank plc additional tier 1 instruments

| | | **2024** | 2023 |
|---|---|---|---|
| | | **£m** | £m |
| £1,096m | Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2019 onwards) | **1,096** | 1,096 |
| £1,100m | Undated Subordinated Additional Tier 1 instrument issued 2014 (Callable December 2024 onwards) | **1,100** | 1,100 |
| **At 31 Dec** | | **2,196** | 2,196 |

The bank has issued capital instruments that are included in the group's capital base as fully CRR II compliant additional tier 1 capital.

Interest on these instruments will be due and payable only at the sole discretion of the bank, and the bank has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any date. There are limitations on the payment of principal, interest or other amounts if such payments are prohibited under UK banking regulations, or other requirements, if the bank has insufficient distributable items or if the bank fails to satisfy the solvency condition as defined in the instruments terms.

The instruments are undated and are repayable, at the option of the bank, in whole at the initial call date, or on any interest payment date after the initial call date. In addition, the instruments are repayable at the option of the bank in whole for certain regulatory or tax reasons. Any repayments require the prior notification to and consent of the PRA. These instruments rank pari passu with the bank's most senior class or classes of issued preference shares and therefore ahead of ordinary shares. These instruments will be written down in whole, together with any accrued but unpaid interest if either the group's solo or consolidated .Common Equity Tier 1 Capital Ratio falls below 7.00%.

# 24 Contingent liabilities, contractual commitments, guarantees and contingent assets

| | The group | | The bank | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m |
| Guarantees and other contingent liabilities: | | | | |
| – financial guarantees[1] | **1,046** | 1,121 | **1,038** | 1,121 |
| – performance and other guarantees | **2,416** | 2,330 | **2,400** | 2,295 |
| **At 31 Dec** | **3,462** | 3,451 | **3,438** | 3,416 |
| Commitments[2]: | | | | |
| – documentary credits and short-term trade-related transactions | **142** | 187 | **142** | 187 |
| – forward asset purchases and forward deposits placed | **1,641** | 297 | **1,386** | — |
| – standby facilities, credit lines and other commitments to lend | **75,776** | 72,708 | **58,760** | 55,876 |
| **At 31 Dec** | **77,559** | 73,192 | **60,288** | 56,063 |

1 Financial guarantees contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts.
2 Includes £74bn (2023: £70bn) for the group and £57bn (2023: £53bn) for the bank of commitments to which the impairment requirements in IFRS 9 are applied where the group and bank has become party to an irrevocable commitment.

The preceding table discloses the nominal principal amounts of off-balance sheet liabilities and commitments for the group, which represents the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements. The expected credit loss provision relating to guarantees and commitments under IFRS 9 is disclosed in Note 19.

The majority of the guarantees have a term of less than one year, while guarantees with terms of more than one year are subject to the group's annual credit review process.

Contingent liabilities arising from legal proceedings, regulatory and other matters against group companies are excluded from this note but are disclosed in Note 26.

## Financial Services Compensation Scheme ('FSCS')

The FSCS provides compensation, up to certain limits, to eligible customers of financial services firms that are unable, or likely to be unable, to pay claims against them. The FSCS may impose a further levy on group to the extent the industry levies imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate FSCS levy to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the FSCS, changes in the level of protected products (including deposits and investments) and the population of FSCS members at the time.

## UK branches of HSBC overseas entities

In December 2017, HM Revenue & Customs ('HMRC') challenged the value-added tax ('VAT') status of certain UK branches of HSBC overseas entities. In Q1 2019, HMRC reaffirmed its assessment that the UK branches are ineligible to be members of the UK VAT group and HSBC filed appeals. Since January 2018, HSBC's returns have been prepared on the basis that the UK branches are not in the UK VAT group. In July 2024, a resolution to these appeals was agreed with HMRC, which did not have a material financial impact on HSBC UK Bank plc.

# 25 Finance lease receivables

The group leases a variety of assets to third parties under finance leases, including transport assets, property and general plant and machinery. At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Total future minimum payments** | **Unearned finance income** | **Present Value** | Total future minimum payments | Unearned finance income | Present Value |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Lease receivables[1] | | | | | | |
| – No later than one year | **1,485** | **(127)** | **1,358** | 1,363 | (117) | 1,246 |
| – One to two years | **1,070** | **(84)** | **986** | 1,049 | (82) | 967 |
| – Two to three years | **697** | **(50)** | **647** | 728 | (50) | 678 |
| – Three to four years | **375** | **(29)** | **346** | 376 | (28) | 348 |
| – Four to five years | **350** | **(46)** | **304** | 184 | (17) | 167 |
| – Later than 5 years | **189** | **(17)** | **172** | 360 | (55) | 305 |
| **31 Dec[2]** | **4,166** | **(353)** | **3,813** | 4,060 | (349) | 3,711 |

1 Finance leases receivables are disclosed within 'Loans and advances to customers' in the balance sheet.
2 ECL of £22m (2023: £27m) is held in respect of loans and advances under Finance lease receivables.

# 26 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters arising out of its normal business operations. Apart from the matters described below, the group considers that none of these matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 1 of the Annual Report and Accounts 2024. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2024. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities.

## Payment Protection Insurance ('PPI')

Although the FCA deadline for bringing PPI complaints has passed, court cases are being brought alleging historic PPI mis-selling.

## First Citizens litigation

In May 2023, First-Citizens Bank & Trust Company ('First Citizens') brought a lawsuit in the US District Court for the Northern District of California against HSBC UK and HINV, certain other HSBC companies and seven US-based HSBC employees who had previously worked for Silicon Valley Bank ('SVB'). The lawsuit seeks $1bn in damages and alleges, among other things, that the HSBC companies conspired with the individual defendants to solicit employees from First Citizens and that the individual defendants took confidential information belonging to SVB and/or First Citizens. In July 2024, the court dismissed several of First Citizens' claims and also dismissed HSBC UK and other defendants for lack of jurisdiction, but allowed limited discovery into whether some of these defendants, including HSBC UK, may be subject to jurisdiction. The remaining claims are proceeding against certain defendants, including HINV.

Based on the facts currently known, it is not practicable at this time to predict the resolution of this matter, including the timing or any possible impact on HSBC UK, which could be significant.

## Other regulatory reviews and litigation

HSBC UK and/or certain of its affiliates are also subject to enquiries, requests for information, reviews by various regulators, competition and law enforcement authorities, as well as litigation, in connection with various matters arising out of their businesses and operations. At the present time, HSBC UK does not expect the ultimate resolution of any of these matters to be material to the group's financial position; however, given the uncertainties involved in legal proceedings and regulatory matters, there can be no assurance regarding the eventual outcome of a particular matter or matters.

# 27 Related party transactions

The immediate and ultimate parent company of the group is HSBC Holdings plc, which is incorporated in England and Wales.

Copies of the Group financial statements may be obtained from the following address:

HSBC Holdings plc
8 Canada Square
London E14 5HQ

The group's related parties include the parent, fellow subsidiaries, joint ventures, post-employment benefit plans for HSBC UK employees, key management personnel ( 'KMP') of the Company and its ultimate parent company, HSBC Holdings plc, close family members of KMP and entities which are controlled, jointly controlled or significantly influenced by KMP or their close family members.

Particulars of transactions between the group and its related parties are tabulated below in accordance with IAS 24 'Related party disclosures'. The disclosure of the year-end balance and the highest amounts outstanding during the year are considered to be the most meaningful information to represent the amount of the transactions and outstanding balances during the year.

## Key Management Personnel

The KMP of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the group, and include the Directors of the Company, certain senior executives of the Company, directors of HSBC Holdings plc and certain senior executives of HSBC Holdings plc. The emoluments of those KMP who are not directors or senior executives of the Company are paid by other Group companies who make no recharge to the Company. It is therefore not possible to make a reasonable apportionment of their emoluments in respect of services they have provided to the Company during the year. Accordingly, no emoluments in respect of these KMP are included in the following disclosure.

The table below represents the compensation for KMP (Directors and certain senior executives) of the Company in exchange for services rendered to the Company for the period they served during the year.

Compensation of Key Management Personnel

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Short-term employee benefits | **10,726** | 10,960 |
| Post-employment benefits | **53** | 19 |
| Other long-term employee benefits | **917** | 841 |
| Share-based payments | **3,322** | 2,808 |
| **Year ended 31 Dec** | **15,018** | 14,628 |

Advances and credits, guarantees and deposit balances during the year with Key Management Personnel[1]

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Balance at 31 Dec** | **Highest amounts outstanding during year** | Balance at 31 Dec | Highest amounts outstanding during year |
| | **£m** | **£m** | £m | £m |
| Advances and credits | **10** | **13** | 9 | 11 |
| Deposits | **8** | **31** | 5 | 17 |

1 Includes close family members and entities which are controlled or jointly controlled by KMP or their close family members.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

In addition to the requirements of IAS 24, particulars of advances (loans and quasi-loans), credits and guarantees entered into by the bank and its subsidiaries with Directors of the Company are required to be disclosed pursuant to section 413 of the Companies Act 2006. Under the Companies Act, there is no requirement to disclose transactions with other KMP.

Transactions with Directors: advances, credits and guarantees (Companies Act 2006)

| | **2024** | 2023 |
|---|---|---|
| | **Balance at 31 Dec** | Balance at 31 Dec |
| | **£000** | £000 |
| Loans | **5,096** | 5,118 |

## Other related parties

Transactions and balances during the year with KMP of the bank's ultimate parent company[1,2]

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Balance at 31 Dec** | **Highest amounts outstanding during the year** | Balance at 31 Dec | Highest amounts outstanding during the year |
| | **£m** | **£m** | £m | £m |
| Advances and credits | **—** | **—** | — | 1 |
| Deposits | **16** | **33** | 14 | 33 |

1 Excludes those who are also KMP of the Company.
2 Includes close family members and entities which are controlled or jointly controlled by the KMP or their close family members.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Transactions and balances during the year with the associates and joint venture

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Balance at 31 Dec** | **Highest balance during the year** | Balance at 31 Dec | Highest balance during the year |
| | **£m** | **£m** | £m | £m |
| Unsubordinated amounts due from the joint venture | **55** | **80** | 74 | 76 |
| Amounts due to associates | **33** | **90** | — | — |
| Amounts due to joint venture | **50** | **61** | 47 | 70 |
| Guarantees and commitments | **249** | **260** | 237 | 252 |

The group provides certain banking and financial services to its joint venture, including loans, overdrafts, interest and non-interest- bearing deposits and current accounts. Details of the interest in the joint venture are given in Note 12.

The group's transactions and balances during the year with HSBC Holdings plc and subsidiaries of HSBC Holdings plc

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Due to/from HSBC Holdings plc** | | **Due to/from subsidiaries of HSBC Holdings plc** | | Due to/from HSBC Holdings plc | | Due to/from subsidiaries of HSBC Holdings plc | |
| | **31 Dec** | **Highest balance** | **31 Dec** | **Highest balance** | 31 Dec | Highest balance | 31 Dec | Highest balance |
| | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| **Assets** | | | | | | | | |
| Derivatives | **—** | **—** | **42** | **42** | — | — | 28 | 63 |
| Loans and advances to banks | **—** | **—** | **1,161** | **1,174** | — | — | 392 | 1,311 |
| Reverse repos | **—** | **—** | **1,048** | **1,400** | — | — | 400 | 495 |
| Prepayments and accrued income | **—** | **—** | **9** | **9** | — | — | 3 | 9 |
| Other assets | **1** | **1** | **641** | **677** | — | 1 | 573 | 935 |
| **Total related party assets at 31 Dec** | **1** | **1** | **2,901** | **3,302** | — | 1 | 1,396 | 2,813 |
| **Liabilities** | | | | | | | | |
| Deposits by banks | **—** | **—** | **787** | **873** | — | — | 464 | 713 |
| Customer accounts | **6,776** | **6,776** | **2,369** | **2,399** | — | — | 2,036 | 2,280 |
| Repos | **—** | **—** | **265** | **533** | — | — | 330 | 900 |
| Other liabilities | **53** | **56** | **371** | **640** | 54 | 54 | 259 | 800 |
| Accruals & Deferred Income | **252** | **322** | **7** | **9** | 203 | 203 | 6 | 8 |
| Derivatives | **—** | **—** | **18** | **41** | — | — | 22 | 54 |
| Subordinated liabilities | **15,686** | **16,078** | **—** | **—** | 14,598 | 14,598 | — | — |
| **Total related party liabilities at 31 Dec** | **22,767** | **23,232** | **3,817** | **4,495** | 14,855 | 14,855 | 3,117 | 4,755 |

The group routinely enters into related party transactions with other entities in the HSBC Group. These include transactions to facilitate third-party transactions with customers, transactions for internal risk management, and other transactions relevant to HSBC Group processes. These transactions and the above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. The group's income statement included interest payable to HSBC Holdings plc of £735m (2023: £513m) and general and administrative expenses payable to other subsidiaries of HSBC Holdings plc of £1,964m (2023: £1,724m).

The bank's transactions and balances during the year with HSBC UK Bank plc subsidiaries, HSBC Holdings plc and subsidiaries of HSBC Holdings plc

| | 2024 | | | | | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Due to/from subsidiaries of HSBC UK Bank plc subsidiaries | | Due to/from HSBC Holdings plc | | Due to/from subsidiaries of HSBC Holdings plc | | Due to/from subsidiaries of HSBC UK Bank plc subsidiaries | | Due to/from HSBC Holdings plc | | Due to/from subsidiaries of HSBC Holdings plc | |
| | 31 Dec | Highest balance | 31 Dec | Highest balance | 31 Dec | Highest balance | 31 Dec | Highest balance | 31 Dec | Highest balance | 31 Dec | Highest balance |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **Assets** | | | | | | | | | | | | |
| Derivatives | — | — | — | — | 42 | 42 | — | 2 | — | — | 28 | 63 |
| Loans and advances to banks | 5,809 | 5,920 | — | — | 1,159 | 1,173 | 5,686 | 6,203 | — | — | 391 | 1,231 |
| Loans and advances to customers | 8,703 | 8,703 | — | — | — | — | 8,051 | 8,307 | — | — | — | — |
| Reverse repos | — | — | — | — | 1,048 | 1,400 | — | — | — | — | 400 | 495 |
| Prepayments and accrued income | 105 | 107 | — | — | 8 | 8 | 80 | 80 | — | — | 3 | 9 |
| Other assets | 1,441 | 1,441 | 1 | 1 | 637 | 673 | 1,006 | 1,187 | — | 1 | 572 | 935 |
| **Total related party assets at 31 Dec** | 16,058 | 16,171 | 1 | 1 | 2,894 | 3,296 | 14,823 | 15,779 | — | 1 | 1,394 | 2,733 |
| **Liabilities** | | | | | | | | | | | | |
| Deposits by banks | 3,637 | 4,034 | — | — | 787 | 873 | 3,276 | 3,276 | — | — | 464 | 673 |
| Customer accounts | 457 | 491 | 6,776 | 6,776 | 2,369 | 2,400 | 491 | 678 | — | — | 2,036 | 2,280 |
| Repos | — | — | — | — | 265 | 533 | — | — | — | — | 330 | 900 |
| Derivatives | — | — | — | — | 18 | 41 | — | 5 | — | — | 22 | 54 |
| Other liabilities | 45 | 45 | 51 | 56 | 350 | 626 | 16 | 152 | 54 | 54 | 253 | 796 |
| Accruals & Deferred Income | 51 | 60 | 252 | 322 | 8 | 10 | 25 | 26 | 203 | 203 | 6 | 8 |
| Subordinated liabilities | — | — | 15,686 | 16,078 | — | — | — | — | 14,598 | 14,598 | — | — |
| **Total related party liabilities at 31 Dec** | 4,190 | 4,630 | 22,765 | 23,232 | 3,797 | 4,483 | 3,808 | 4,137 | 14,855 | 14,855 | 3,111 | 4,711 |

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

## Post-employment benefit plans

The HSBC Bank (UK) Pension Scheme has placed deposits of £59m (2023: £87m) with HSBC UK, earning interest of £0.9m (2023: £0.5m).

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

# 28 Events after the balance sheet date

These accounts were approved by the Board of Directors on 18 February 2025 and authorised for issue.

On 11 February 2025, the Directors resolved to pay an interim dividend to ordinary shareholders of £595m in respect of the financial year ending 31 December 2024. No liability is recognised in the financial statements in respect of this dividend.

In its assessment of events after the balance sheet date, HSBC UK has considered and concluded that no material events have occurred resulting in adjustments to the financial statements.

# 29 HSBC UK Bank plc’s subsidiaries and joint ventures

In accordance with section 409 of the Companies Act 2006 a list of HSBC UK Bank plc subsidiaries and joint ventures, the registered office address and the effective percentage of equity owned at 31 December 2024 is disclosed below.

Unless otherwise stated, the share capital comprises ordinary or common shares which are held by HSBC UK Bank plc subsidiaries. The ownership percentage is provided for each undertaking. The undertakings below are consolidated by HSBC UK Bank plc unless otherwise indicated.

HSBC UK Bank plc's registered office address is:

HSBC UK Bank plc
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

## Subsidiaries

The undertakings below are consolidated by HSBC UK Bank plc. Unless otherwise stated the place of incorporation is England and Wales.

| Subsidiaries | % of share class held by immediate parent company (or by HSBC UK Bank plc where this varies) | Footnotes |
|---|---|---|
| Assetfinance December (F) Limited | 100.00 | 6 |
| Assetfinance June (D) Limited | 100.00 | 6 |
| Assetfinance March (D) Limited | 100.00 | 6 |
| Assetfinance September (G) Limited | 100.00 | 6 |
| B&Q Financial Services Limited | 100.00 | 2,7 |
| Canada Square Nominees (UK) Limited | 100.00 | 2,7 |
| HSBC Bank Pension Trust (UK) Limited | 100.00 | 2,7 |
| HSBC Branch Nominee (UK) Limited | 100.00 | 2,6 |
| HSBC UK Covered Bonds LLP | N/A | 0,6 |
| HSBC Equipment Finance (UK) Limited | 100.00 | 2,6 |
| HSBC Executor & Trustee Company (UK) Limited | 100.00 | 6 |
| HSBC Finance Limited | 100.00 | 2,7 |
| HSBC Innovation Bank Limited | 100.00 | 2,10 |
| HSBC Invoice Finance (UK) Limited | 100.00 | 2,6 |
| HSBC Private Bank (UK) Limited | 100.00 | 2,7 |
| HSBC Trust Company (UK) Limited | 100.00 | 2,7 |
| HSBC UK Client Nominee Limited | 100.00 | 2,6 |
| HSBC UK Societal Projects Limited | N/A | 2,5,6 |
| HSBC Wealth Client Nominee Limited | 100.00 | 2,6 |
| HSBC Legacy Partnership Limited | 100.00 | 2,4,7 |
| Marks and Spencer Financial Services plc | 100.00 | 2,8 |
| Marks and Spencer Unit Trust Management Limited | 100.00 | 2,8 |
| Midland Bank (Branch Nominees) Limited | 100.00 | 2,6 |
| Midland Nominees Limited | 100.00 | 6 |
| St Cross Trustees Limited | 100.00 | 6 |
| Turnsonic (Nominees) Limited | 100.00 | 6 |

## Associates

The undertakings below are associates and equity accounted.

| Associates | % of share class held by immediate parent company (or by the Group where this varies) | Footnotes |
|---|---|---|
| HSBC UK Covered Bonds (LM) Limited | 20.00 | 1, 11 |

## Joint venture

The undertaking below is a Joint Venture and equity accounted.

| Joint venture | % of share class held by immediate parent company (or by HSBC UK Bank plc where this varies) | Footnotes |
|---|---|---|
| Vaultex UK Limited | 50.00 | 3,9 |

## Footnotes

| | |
|---|---|
| 0 | Where an entity is governed by voting rights, HSBC consolidates when it holds – directly or indirectly – the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities, and whether power is held as an agent or principal. HSBC's consolidation policy is described in Note 1.2(a) |
| 1 | Management has determined that these undertakings are excluded from consolidation in the Group accounts as these entities do not meet the definition of subsidiaries in accordance with IFRS. HSBC's consolidation policy is described in Note 1.2(a) |
| 2 | Directly held by HSBC UK Bank plc |
| 3 | Financial year ended 6 October 2024 |
| 4 | Previously John Lewis Financial Services Limited |
| 5 | Limited by guarantee and therefore no share capital. HSBC UK Bank plc is the sole member. |

## Registered Offices

| | |
|---|---|
| 6 | 1 Centenary Square, Birmingham, United Kingdom, B1 1HQ |
| 7 | 8 Canada Square, London, United Kingdom, E14 5HQ |
| 8 | Kings Meadow Chester Business Park, Chester, United Kingdom, CH99 9FB |
| 9 | All Saints Triangle, Caledonian Road, London, United Kingdom, N1 9UT |
| 10 | All Alphabeta, 14-18 Finsbury Square, London, United Kingdom, EC2A 1BR |
| 11 | All 10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU |

# Reconciliation of alternative performance measures

## Return on equity and return on tangible equity

RoTE is measured as reported profit attributable to the ordinary shareholders, excluding impairment of goodwill and other intangible assets for the period, divided by average reported equity adjusted for goodwill and intangibles. The adjustment to reported results and reported equity excludes amounts attributable to non-controlling interests. We provide RoTE in addition to RoE as a way of assessing our performance, which is closely aligned to our capital position. The measures are calculated in US dollars in line with the standard HSBC Group-wide calculation methodology.

The following table details the adjustments made to the reported results and equity:

### Return on Equity and Return on Tangible Equity

| | Year ended | |
|---|---|---|
| | **31 Dec 2024** | 31 Dec 2023 |
| | **$m** | $m |
| **Profit** | | |
| Profit attributable to the ordinary shareholders of the parent company | **4,989** | 6,226 |
| **Profit attributable to the ordinary shareholders, excluding goodwill and other intangible assets impairment** | **4,989** | 6,226 |
| **Equity** | | |
| **Average shareholders' equity** | **33,100** | 30,016 |
| Effect of average preference shares, additional Tier 1 and other equity instruments | **(2,808)** | (2,726) |
| **Average ordinary shareholders' equity** | **30,292** | 27,290 |
| Effect of goodwill and other intangibles (net of deferred tax) | **(5,549)** | (5,342) |
| **Average tangible ordinary shareholders' equity** | **24,743** | 21,948 |
| **Ratio** | **%** | % |
| Return on equity | **16.5** | 22.8 |
| Return on average tangible equity[1,2] | **20.2** | 28.4 |

1 Excluding the gain recognised on acquisition of SVB UK in 2023, the 2023 RoTE was 22.4%.
2 Under IAS 19 HSBC UK holds a pension fund surplus, and records pension income in the Income Statement. The IAS 19 pension fund surplus increases Tangible Equity but not CET1. In the event that the IAS 19 pension fund surplus was zero, RoTE would be 22.8%(2023: 32.4%, 25.5% excluding the acquisition of SVB UK), we refer to this as Pension Adjusted RoTE.

# Abbreviations

## Currencies

| | |
|---|---|
| £ | British pound sterling |
| € | Euro |
| $ | United States dollar |

## Abbreviations

| | |
|---|---|
| 4Q25 | Fourth quarter of 2025 |
| 2Q24 | Second quarter of 2024 |
| **A** | |
| AGM | Annual General Meeting |
| AI | Artificial Intellegence |
| AIEA | Average interest-earning assets |
| ALCO | Asset and Liability Management Committee |
| AT1 | Additional tier 1 |
| **B** | |
| BACS | Bankers' Automated Clearing System |
| Basel | Basel Committee on Banking Supervision |
| Basel III | Basel Committee's reforms to strengthen global capital and liquidity rules |
| BoE | Bank of England |
| Bps | Basis points. One basis point is equal to one hundredth of a percentage point |
| **C** | |
| CAP | Consolidated Action Plan |
| CAPM | Capital asset pricing model |
| CBDC | Central Bank Digital Currency |
| CEO | Chief Executive Officer |
| CET1 | Common equity tier 1 |
| CFO | Chief Financial Officer |
| CGU | Cash-generating Unit |
| CMB | Commercial Banking |
| CODM | Chief Operating Decision Maker |
| CDI | CORE Deposit Intangible |
| CRO | Chief Risk Officer |
| CRR | Customer risk rating |
| CRR II | Revised Capital Requirements Regulation and Directive, as implemented |
| CPI | Consumer Price Index |
| **D** | |
| DBS | Digital Business Services |
| DCF | Discounted cash flows |
| DPD | Days past due |
| DBO | Defined Benefit Obligation |
| DECL | Disclosures about Expected Credit Losses |
| DRA | Dynamic Risk Assessment |
| Dec | December |
| **E** | |
| EAD | Exposure at default |
| EBA | European Banking Authority |
| EC | European Commission |
| ECL | Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied. |
| EIR | Effective interest rate |
| ESG | Environmental, social and governance |
| EU | European Union |
| Euribor | Euro interbank offered rate |
| EVE | Economic value of equity |
| EPC | Energy Performance Certificate |
| ETR | Effective Tax Rate |
| **F** | |
| FCA | Financial Conduct Authority (UK) |
| FRC | Financial Reporting Council |
| FSCS | Financial Services Compensation Scheme |
| FTE | Full-time equivalent staff |
| FVOCI | Fair value through other comprehensive income |
| FY | Full Year |
| FY23 | Full Year 2023 |
| FY24 | Full Year 2024 |
| **G** | |
| GBM | Global Banking and Markets |
| GDP | Gross domestic product |
| GPSP | Group Performance Share Plans |
| group | HSBC UK Bank plc together with its subsidiary undertakings |
| Group | HSBC Holdings plc together with its subsidiary undertakings |
| GTRF | Global Trade and Receivables Finance |
| **H** | |
| HMRC | HM Revenue and Customs |
| HMT | His Majesty's Treasury |
| HSBC Group | HSBC Holdings plc together with its subsidiary undertakings |
| HSBC Holdings plc | HSBC Holdings plc, the parent company of HSBC UK |
| HSBC UK | HSBC UK Bank plc together with its subsidiary undertakings |
| HINV | HSBC Innovation Bank Limited, formerly Silicon Valley Bank UK Limited |
| HR | Human Resources |
| **I** | |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| Ibor | Interbank offered rate |
| ICAAP | Internal capital adequacy assessment process |
| IFRS® Accounting Standards | International Financial Reporting Standards as issued by the IASB |
| IFRS® Sustainability Disclosure Standards | Standards issue by the International Sustainability Standards Board ('ISSB') |
| ISSB | International Sustainability Standards Board |
| ILAAP | Internal liquidity adequacy assessment process |
| IRB | Internal ratings-based |
| IT | Information technology |
| **J** | |
| Jan | January |
| **K** | |
| KMP | Key management personnel |
| KPI | Key performance indicator |
| KPMG | Klynveld Peat Marwick Goerdeler |
| **L** | |
| LC | Large Corporates |
| LCR | Liquidity coverage ratio |
| LFRF | Liquidity and Funding Risk management Framework |
| LGD | Loss given default |
| Libor | London interbank offered rate |
| LTI | Long-term incentive |
| LTV | Loan to value |
| **M** | |
| MI | Management Information |
| MME | Mid-Market Enterprises |
| MREL | EU minimum requirements for own funds and eligible liabilities |
| M&S | Marks and Spencer |
| **N** | |
| NII | Net interest income |
| NIM | Net interest margin |
| NPS | Net Promoter Score |
| NSFR | Net stable funding ratio |

| | |
|---|---|
| **O** | |
| OCI | Other comprehensive income |
| OECD | Organisation of Economic Co-operation and Development |
| **P** | |
| PBT | Profit before tax |
| PD | Probability of default |
| PLCA | Purpose Led Conduct Approach |
| POCI | Purchased or originated credit impaired |
| PPA | Power Purchase Agreement |
| PPI | Payment protection insurance |
| PRA | Prudential Regulation Authority |
| PSR | Payment Systems Regulator |
| PIV | Pooled Investment Vehicles |
| PwC | PricewaterhouseCoopers LLP and its network of firms |
| **R** | |
| RAS | Risk Appetite Statement |
| Revenue | Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit provisions, also referred to as revenue |
| RMM | Risk Management Meeting |
| ROC | Resilience Oversight Committee |
| RoE | Return on average ordinary shareholders' equity |
| RoTE | Return on average tangible equity |
| RPI | Retail Price Index |
| RWA | Risk-weighted asset |
| **S** | |
| SAF | Subsidiary Accountability Framework |
| Sep | September |
| SME | Small and medium-sized enterprise |
| SOFR | Secured Overnight Financing Rate |
| Sonia | Sterling Overnight Index Average |
| SPPI | Solely payments of principal and interest |
| STD | Standardised Approach |
| SVB UK | Silicon Valley Bank UK Limited |
| **T** | |
| TCFD | Taskforce on Climate-Related Financial Disclosures |
| **U** | |
| UK | United Kingdom |
| US | United States of America |
| **V** | |
| VaR | Value at risk |
| VAT | Value-added tax |
| VIU | Value in use |
| **W** | |
| WPB | Wealth and Personal Banking |
| **Y** | |
| YoY | Year-on-year |

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