HSBC UK Bank plc

Pillar 3 Disclosures at 31 December 2024

HSBC

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Presentation of information

This document comprises the 2024 Pillar 3 disclosures for HSBC UK Bank plc ('the bank') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries.

'HSBC Group' or 'the Group' within this document refer to HSBC Holdings plc together with its subsidiaries.

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

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

A full list of abbreviations is provided on page 81.

This document may contain certain forward-looking statements with respect to the financial condition, environment, social and governance ("ESG") related matters, results of operations and business of the group.

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

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

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

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Introduction

Pillar 3 Governance and disclosures

Regulatory framework for disclosure

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

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by the requirements in Pillar 3 on market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel III framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Our Pillar 3 Disclosures at 31 December 2024 comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

Information relating to the rationale for excluding certain disclosures is provided in Appendix I.

Frequency and location

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

Regulatory reporting processes and controls

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

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

Comparatives and references

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

The regulatory numbers and ratios are presented at the date of reporting. Small changes may exist between these numbers and ratios and those submitted in regulatory filings. Where differences are significant, we may restate comparatives.

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

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

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

Board Recruitment and Inclusion Policy

Pillar 3 requires information relating to the number of directorships held by the Board, the recruitment policy for the selection of members of the management body and their actual skills, knowledge and experience to be disclosed. This can be found in the Corporate Governance section on pages 72 to 76 of the Annual Report and Accounts 2024. Information on the Inclusion Policy with regard to the management body can be found under the Chairman's Nominations and Remuneration Committee section on page 74 of the Annual Report and Accounts 2024.

Pillar 3 Governance

The HSBC UK Pillar 3 disclosures at 31 December 2024 comply with the PRA Rulebook. They are approved by the HSBC UK Bank plc Board of Directors and are governed by the group's disclosure policy framework as approved by the Audit Committee ('AC').

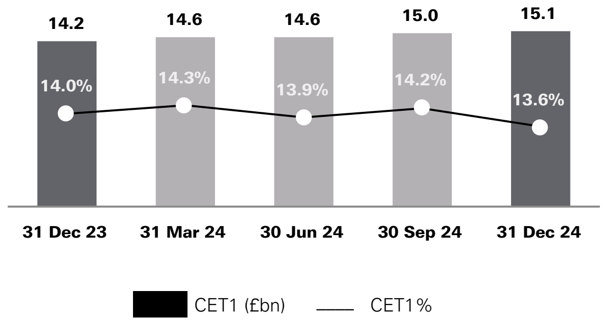
This Pillar 3 Disclosure Report was approved by the HSBC UK Bank plc Board on 19 February 2025 and signed on its behalf by

Claire Baird
Chief Financial Officer

Highlights

CET1 increased to £15.1bn from £14.2bn at December 2023. During the year, we generated £1.4bn capital from profits net of dividends partly offset by £0.6bn increase in capital deductions mainly from excess regulatory expected loss.

Common equity tier 1: £15.1bn and 13.6%[1]

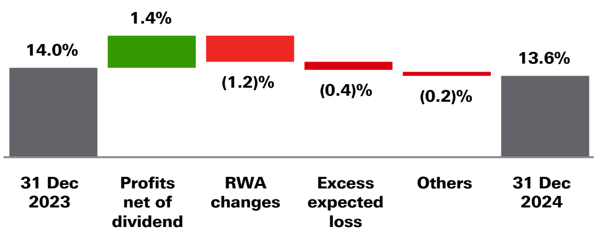


1 Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.

CET1 ratio movement %

CET1 capital ratio decreased to 13.6% from 14.0% at December 2023, mainly driven by increase in RWAs and excess expected loss deduction partly offset by capital generation through profits net of dividends.

Common equity tier 1 ratio movement, %



RWAs

RWAs increased by £8.9bn. Excluding £0.2bn reduction due to foreign currency translation differences, RWAs increased by £9.1bn, primarily due to lending growth of £6bn, increase in operational risk RWAs by £2.1bn and changes in asset quality by £1.5bn. This was partly offset by reductions due to risk parameter refinements and data quality improvements by £0.6bn.

Risk-weighted assets by risk types
£110,423m (31 December 2023: £101,478m)

Risk-weighted Assets 31 Dec 2024	£m	%
Credit risk	94,418	85.5
Operational risk	15,589	14.1
Market risk	173	0.2
Counterparty credit risk	243	0.2

Liquidity

The average HSBC UK LCR and NSFR were 190% and 154 % respectively, which is above the regulatory minimum requirements. Liquidity and funding remains stable as at 31 Dec 2024.

Liquidity

	At 31 Dec 2024	At 31 Dec 2023
LCR (%)	190	201
NSFR (%)	154	158

Leverage

Leverage ratio decreased to 5.8% from 6.1% at 31 December 2023. This was mainly driven by the increase in Leverage exposures due to growth in corporate and retail lending combined with increase in financial investments and reverse repos.

Leverage

	At 31 Dec 2024	At 31 Dec 2023
Leverage ratio (%)	5.8	6.1

Key metrics

The table below sets out the key regulatory metrics covering the group's available capital (including buffer requirements and ratios), RWAs, leverage ratio, LCR and NSFR. Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis, which ends from 1 January 2025. Capital figures and ratios are reported on a CRR II transitional basis for capital instruments and the leverage ratio is calculated using the CRR II end point basis for capital. The calculation for LCR is the average of the preceding 12 months for each quarter and for the NSFR it is the average of the preceding four quarters.

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

		At				
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	Available capital (£m)					
1	Common equity tier 1 ('CET1') capital	**15,059**	14,966	14,550	14,611	14,224
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**15,048**	14,956	14,538	14,599	14,194
2	Tier 1 capital	**17,307**	17,220	16,802	16,864	16,479
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**17,296**	17,210	16,790	16,852	16,449
3	Total capital	**20,500**	20,375	19,990	20,053	19,772
	Total capital as if IFRS 9 transitional arrangements had not been applied	**20,489**	20,365	19,978	20,041	19,742
	Risk-weighted assets (£m)					
4	Total RWAs	**110,423**	105,494	104,352	102,218	101,478
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**110,414**	105,484	104,340	102,206	101,450
	Capital ratios (%)					
5	CET1	**13.6**	14.2	13.9	14.3	14.0
	CET1 as if IFRS 9 transitional arrangements had not been applied	**13.6**	14.2	13.9	14.3	14.0
6	Tier 1	**15.7**	16.3	16.1	16.5	16.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**15.7**	16.3	16.1	16.5	16.2
7	Total capital	**18.6**	19.3	19.2	19.6	19.5
	Total capital as if IFRS 9 transitional arrangements had not been applied	**18.6**	19.3	19.2	19.6	19.5
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)					
UK-7a	Additional CET1 SREP requirements	**2.1**	2.1	2.2	2.2	2.2
UK-7b	Additional additional tier 1 ('AT1') SREP requirements	**0.7**	0.7	0.7	0.7	0.7
UK-7c	Additional tier 2 ('T2') SREP requirements	**1.0**	1.0	1.0	1.0	1.0
UK-7d	Total SREP own funds requirements	**11.8**	11.8	11.9	11.9	11.9
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer	**1.9**	1.9	1.9	1.9	1.9
UK-10a	Other systemically important institution buffer	**1.0**	1.0	1.0	1.0	1.0
11	Combined buffer requirement	**5.4**	5.4	5.4	5.4	5.4
UK-11a	Overall capital requirements	**17.2**	17.2	17.3	17.3	17.3
12	CET1 available after meeting the total SREP own funds requirements	**7.0**	7.6	7.2	7.6	7.3
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**297,157**	298,786	283,626	275,419	270,907
14	Leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.9	6.1	6.1
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.9	6.1	6.1
14b	Leverage ratio including claims on central banks (%)	**4.9**	4.9	4.9	4.9	4.8
14c	Average leverage ratio excluding claims on central banks (%)	**6.0**	6.0	6.1	6.2	6.4
14d	Average leverage ratio including claims on central banks (%)	**5.0**	5.0	5.0	5.0	5.1
14e	Countercyclical leverage ratio buffer (%)	**0.7**	0.7	0.7	0.6	0.6
EU-14d	Leverage ratio buffer requirement (%)	**1.1**	1.1	1.1	1.0	1.0
EU-14e	Overall leverage ratio requirements (%)	**4.4**	4.4	4.4	4.3	4.3
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets ('HQLA') (Weighted value -average) (£m)	**91,348**	90,355	90,445	92,036	94,765
UK-16a	Cash outflows – total weighted value (£m)	**53,657**	52,601	52,424	52,860	53,058
UK-16b	Cash inflows – total weighted value (£m)	**5,600**	5,548	5,637	5,807	5,823
16	Total net cash outflow (£m)	**48,057**	47,053	46,787	47,053	47,234
17	LCR (%)	**190**	192	193	196	201
	Net stable funding ratio ('NSFR')					
18	Total available stable funding (£m)	**264,704**	263,472	262,905	262,779	264,729
19	Total required stable funding (£m)	**171,500**	170,029	169,075	168,217	167,523
20	NSFR (%)	**154**	155	155	156	158

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

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

Rows UK-7a to UK-7c in the table above show how the group's additional capital requirement (set by the PRA at 3.80% of RWAs) is allocated to each of these tiers of capital. Row UK-7d adds the total of these additional requirements to the CRR II minimum requirements to give a total capital SREP requirement of 11.8%. Rows 8 to 11 set out buffer requirements to which the group is also subject (and which must be satisfied by CET1). The group's overall capital requirement in Row UK-11a, 17.2%, is the sum of these buffer requirements and the minimum capital requirements calculated above in Row UK-7d.

IFRS9 transitional arrangements

We have adopted the regulatory transitional arrangements in CRR II for IFRS 9, including paragraph four of article 473a. These allow banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances. Our capital and ratios are presented under these arrangements throughout the tables in this disclosure, including the end point figures. This transitional period ended 1 January 2025.

Capital buffers

Our geographical breakdown and institution-specific countercyclical capital buffer ('CCyB') disclosure is provided on page 63 of this document. The HSBC Group global systemically important bank ('G-SIB') Indicators disclosure is published annually on the HSBC website, www.hsbc.com.

Regulatory developments

Basel 3.1

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

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

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

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

We continue to assess the impact of these rules on our capital and associated implementation challenges including data provision.

Counterparty risk management

In December 2024, the Basel Committee on Banking Supervision ('Basel') published final guidelines for counterparty risk ('CCR') management. The guidelines set out key practices for CCR management which include the need to:

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

Large exposures

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

Environmental, social and governance risk

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

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

Linkage to the Annual Report and Accounts 2024

This section demonstrates the links between the group's audited financial balance sheet and its regulatory counterpart. In addition to this reconciliation, presented here in Table 2, our Pillar 3 Disclosures at 31 December 2024 also provide:

- an analysis of the regulatory reporting balance sheet by risk type; and
- a reconciliation between accounting valuation and the regulatory measure of exposure.

Structure of the regulatory group

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

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

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

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

	Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Regulatory balance sheet £m
Assets					
Cash and balances at central banks		52,276	—	58	52,334
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		174	—	—	174
Derivatives		298	—	—	298
Loans and advances to banks		7,263	—	—	7,263
Loans and advances to customers		217,604	—	—	217,604
– of which: expected credit losses on IRB portfolios	h	(1,382)			(1,382)
Reverse repurchase agreements – non-trading		11,776	—	—	11,776
Financial investments		37,801	(170)	—	37,631
Prepayments, accrued income and other assets		9,303	10	22	9,335
– of which: retirement benefit assets	j	5,126	—	—	5,126
Interests in associates and joint ventures		9	—	(9)	—
Goodwill and intangible assets	e	4,373	—	—	4,373
Total assets at 31 Dec 2024		340,877	(160)	71	340,788
Liabilities and equity					
Deposits by banks		11,144	—	59	11,203
Customer accounts		280,366	265	—	280,631
Repurchase agreements – non-trading		420	—	—	420
Derivatives		107	—	—	107
Debt securities in issue		2,044	(425)	—	1,619
Accruals, deferred income and other liabilities		3,476		10	3,486
Current tax liabilities		449	—	—	449
Provisions		265	—	—	265
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	h	117			117
Deferred tax liabilities		949	—	—	949
Subordinated liabilities		15,686	—	—	15,686
– of which: included in tier 2	o	3,193	—	—	3,193
Total liabilities at 31 Dec 2024		314,906	(160)	69	314,815
Equity					
Called up share capital	a	—	—	—	—
Share premium account	a	—	—	—	—
Other equity instruments	m	2,196	—	—	2,196
Other reserves	c, g	1,579	—	2	1,581
Retained earnings	b, c	22,136	—	—	22,136
Total shareholders' equity		25,911	—	2	25,913
Non-controlling interests	n	60	—	—	60
Total equity at 31 Dec 2024		25,971	—	2	25,973
Total liabilities and equity at 31 Dec 2024		340,877	(160)	71	340,788

† The references (a)–(o) identify balance sheet components that are used in the calculation of regulatory capital in 'Table 6: Composition of regulatory own funds (UK CC1)'. This table shows such items at their accounting values, which may be subject to analysis or adjustment in the calculation of regulatory capital shown in Table 6.

The table below lists the entities to which different treatments are applied under the regulatory scope of consolidation.

Table 3: Principal entities with a different regulatory and accounting scope of consolidation (LI3)

			At 31 Dec 2024			
			Method of regulatory consolidation			
	Principal activities	Method of accounting consolidation	Fully consolidated	Proportional consolidation	Neither consolidated nor deducted	Deducted from capital subject to thresholds
Associates						
Vaultex UK Limited	Cash management services	Equity		◆		
SPEs excluded from the regulatory consolidation[1]						
Neon Portfolio Distribution DAC	Securitisation	Fully consolidated			◆	

1 These SPEs issued no or de minimis share capital.

Measurement of regulatory exposures

This section sets out the main reasons why the measurement of regulatory exposures is not directly comparable with the financial information presented in the Annual Report and Accounts 2024.

The Pillar 3 Disclosures at 31 December 2024 are prepared in accordance with regulatory capital and liquidity adequacy concepts and rules, while the Annual Report and Accounts 2024 are prepared in accordance with International Financial Reporting Standards ('IFRSs').

The regulatory exposure value includes an estimation of risk, and is expressed as the amount expected to be outstanding were the counterparty to default.

Moreover, regulatory exposure classes are based on different criteria from accounting asset types and are therefore not comparable on a line by line basis.

The table below provides a breakdown of the assets and liabilities in the balance-sheet under the regulatory scope of consolidation, breaking them down into the risk types that form the basis for regulatory capital requirements and the link to regulatory exposure value.

Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

			Carrying value of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation[1]	Subject to the credit risk framework	Subject to the counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances at central banks	**52,276**	**52,334**	**52,334**	**—**	**—**	**—**	**—**
Financial assets designated and otherwise mandatorily measured at fair value	**174**	**174**	**39**	**135**	**—**	**—**	**—**
Derivatives	**298**	**298**	**—**	**298**	**—**	**298**	**—**
Loans and advances to banks	**7,263**	**7,263**	**7,263**	**—**	**—**	**—**	**—**
Loans and advances to customers	**217,604**	**217,604**	**214,615**	**—**	**2,989**	**—**	**—**
Reverse repurchase agreements – non-trading	**11,776**	**11,776**	**—**	**11,776**	**—**	**—**	**—**
Financial investments	**37,801**	**37,631**	**37,367**	**—**	**264**	**—**	**—**
Assets held for sale	**7**	**7**	**7**	**—**	**—**	**—**	**—**
Prepayments, accrued income and other assets	**9,296**	**9,328**	**3,200**	**884**	**—**	**—**	**5,244**
Interests in associates and joint ventures	**9**	**—**	**—**	**—**	**—**	**—**	
Goodwill and intangible assets	**4,373**	**4,373**	**—**	**—**	**—**	**—**	**4,373**
Total assets at 31 Dec 2024	**340,877**	**340,788**	**314,825**	**13,093**	**3,253**	**298**	**9,617**
Liabilities							
Deposits by banks	**11,144**	**11,203**					**11,203**
Customer accounts	**280,366**	**280,631**					**280,631**
Repurchase agreements – non-trading	**420**	**420**		**420**			**—**
Derivatives	**107**	**107**		**107**		**107**	**—**
Debt securities in issue	**2,044**	**1,619**					**1,619**
Accruals, deferred income, and other liabilities	**3,476**	**3,486**		**179**			**3,307**
Current tax liabilities	**449**	**449**					**449**
Provisions	**265**	**265**	**121**				**144**
Deferred tax liabilities	**949**	**949**	**(229)**				**1,178**
Subordinated liabilities	**15,686**	**15,686**					**15,686**
Total liabilities at 31 Dec 2024	**314,906**	**314,815**	**(108)**	**706**	**—**	**107**	**314,217**

1 The amounts shown in the column 'Carrying values under scope of regulatory consolidation' do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivatives', as some of the assets in this column are subject to regulatory capital charges for counterparty credit risk ('CCR') and market risk.

The table below explains the main differences between regulatory exposure amounts by each risk type and the on and off-balance sheet treatment. Row 1 and 2 excludes amounts subject to deduction from capital or not subject to regulatory capital requirements.

Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

			of which items subject to:			
		Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
		£m	£m	£m	£m	£m
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	331,171	314,825	13,093	3,253	298
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	598	(108)	706	—	107
3	**Total net amount under the regulatory scope of consolidation**	330,573	314,933	12,387	3,253	191
4	**Off-balance-sheet amounts**	78,897	77,964	(195)	1,128	
6	Differences due to different netting rules, other than those already included in row 2	1,480	2,067	(587)		
7	Differences due to consideration of provisions	1,487	1,487	—		
8	Differences due to the use of credit risk mitigation techniques ('CRMs')	(12,153)	0	(11,718)	(435)	
9	Differences due to credit conversion factors	(34,099)	(34,099)	—		
10	Differences due to Securitisation with risk transfer	(193)	—	—	(193)	
11	Other differences	2,523	46	2,477		
12	**Exposure amounts considered for regulatory purposes 31 Dec 2024**	368,515	362,398	2,364	3,753	191

Explanations of differences between accounting and regulatory exposure amounts

Off-balance sheet amounts

Off-balance sheet amounts include undrawn portions of committed facilities, various trade finance commitments and guarantees.

Differences in netting rules

The increase from carrying value due to differences in netting rules is the reversal of amounts deducted from gross loans and advances to customers in the published financial statements in accordance with the offsetting criteria of IAS 32 'Financial instruments: presentation'. This also includes the differences between accounting carrying values versus regulatory exposures considered for counterparty credit risk reporting purposes.

Differences due to consideration of provisions

The carrying value of assets is net of credit risk adjustments. The regulatory exposure value under IRB approaches is before deducting credit risk adjustments.

Differences due to the use of credit risk mitigation techniques ('CRM')

Exposure value under the standardised approach is calculated after deducting credit risk mitigation whereas the accounting value is before such deductions.

Differences due to credit conversion factors

Exposure value of off-balance sheet items are calculated after the application of the relevant conversion factors as defined in CRR II.

Differences due to securitisation with risk transfer

Securitisation exposure is based on risk transfer of exposure at default ('EAD') of underlying loans instead of accounting value.

Other differences

Other differences primarily relate to EAD modelling impacts, potential future exposures ('PFE') and adjustments relating to forward starting repos for counterparty credit risk, and IFRS9 transitional arrangements applicable to standardised credit risk exposures.

Risk management

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 ('RMF'), including the key principles and practices that we employ in managing material risks, both financial and non-financial.

The framework fosters continuous monitoring of the risk environment, and promotes risk awareness and a sound operational and strategic decision making and escalation process. It also seeks to ensure we have a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We continue to actively review and develop our RMF and seeks to enhance 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.

Further information on our RMF, and the management and mitigation of our top and emerging risks is set out from page 16 of our Annual Report and Accounts 2024.

Material risks

Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile. In addition to the disclosure in this document, other information on material risks can be found in the Annual Report and Accounts 2024. This includes:

- Credit risk (refer to page 25 of the Annual Report and Accounts 2024).
- Treasury risk (refer to page 62 of the Annual Report and Accounts 2024).
- Market risk (refer to page 68 of the Annual Report and Accounts 2024).
- Resilience risk (refer to page 69 of the Annual Report and Accounts 2024).
- Regulatory compliance risk (refer to page 70 of the Annual Report and Accounts 2024).
- Financial crime risk (refer to page 71 of the Annual Report and Accounts 2024).
- Model risk (refer to page 71 of the Annual Report and Accounts 2024).
- Climate Risk (refer to page 69 of the Annual Report and Accounts 2024).
- Geopolitical and macroeconomic risks (refer to page 18 of the Annual Report and Accounts 2024).
- Technology and cybersecurity risk (refer to page 20 of the Annual Report and Accounts 2024).
- Digitalisation and technological advances risk (refer to page 20 of the Annual Report and Accounts 2024).
- Environmental, social and governance risk on page 20 of the Annual Report and Accounts 2024.

Culture

We understand the importance of a strong culture. Our culture refers to our shared attitudes, beliefs, values and standards that shape behaviours including those related to risk awareness, risk taking and risk management. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. The fostering of a strong culture is a key responsibility of our senior executives.

Remuneration

Our culture is also reinforced by our approach to remuneration. Individual awards, including those for senior executives, are consistent with prudent risk management and encouraging the right behaviours, such as through the use of balanced scorecards.

Information about the HSBC UK Chairman's Nominations and Remuneration Committee membership and activities is available on page 74 of the Annual Report and Accounts 2024.

Risk governance

Our Board has ultimate responsibility for the effective management of risk and approves HSBC UK's risk appetite. It is advised on risk-related matters by the Risk Committee.

Further information about the role of the Risk Committee is available on page 11.

Executive accountability for the ongoing monitoring, assessment and management of the enterprise-wide risk environment, and the effectiveness of the Risk Management Framework resides with HSBC UK's Chief Risk Officer ('CRO'). The CRO is supported by the Risk Management Meeting ('RMM') of HSBC UK's Executive Committee.

Further information is available on page 16 of the Annual Report and Accounts 2024.

Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. These senior managers are supported by global functions. All our people have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account our business and functional structures.

We use a defined executive risk governance structure to ensure appropriate oversight and accountability for risk, which facilitates the reporting and escalation to the RMM.

Further information about our three lines of defence model and executive risk governance structures is available on page 16 of our Annual Report and Accounts 2024.

Risk appetite

Risk appetite is a key component of our management of risk. It describes the type and quantum of risk that the group is willing to accept in achieving its strategic goals. At HSBC, risk appetite is managed through a global risk appetite framework and articulated in a risk appetite statement, which is reviewed and approved by the Board on the advice of the Risk Committee, to make sure it remains fit for purpose.

Our risk appetite informs our strategic and financial planning process, defining the desired forward-looking risk profile of the group. It is also integrated within other risk management tools, such as stress testing, to ensure consistency in risk management.

Further information about our risk appetite is set out from page 16 of our Annual Report and Accounts 2024.

Stress testing

HSBC UK operates a wide-ranging stress testing programme that supports our risk management and capital planning. It includes execution of stress tests mandated by our regulators and those to meet our own internal requirements. Our stress testing is supported by dedicated teams and infrastructure.

Our testing programme assesses our capital and liquidity strength through an examination of our resilience to external shocks. Both the internal and regulatory driven stress tests help us to understand and mitigate risks, and inform our decision about capital and liquidity levels.

Our stress testing programme is overseen by the Risk Committee. Where appropriate, results are also reported to the RMM.

Further information about stress testing is set out on page 17 of our Annual Report and Accounts 2024.

HSBC UK Risk function

We have a dedicated Risk function, headed by the HSBC UK CRO, which is responsible for our RMF. This includes establishing policy, monitoring risk profiles, and providing forward-looking risk identification and management capabilities. HSBC UK Risk is made up of sub-functions covering both Financial and Non-financial risks. It is independent from the global businesses in order to provide challenge, oversight and balance in risk versus return decisions. Our Risk function operates in line with the three lines of defence model.

Risk management and internal control systems

The Board of Directors is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and risk types it is willing to accept in achieving HSBC UK's business objectives. On behalf of the Board, the Risk Committee has responsibility for the oversight of risk management and internal controls other than for financial reporting, and the Audit Committee has responsibility for oversight of risk management and internal controls over financial reporting.

The Board of Directors, through the Risk Committee and the Audit Committee receive regular updates and confirmation that management has taken, or is taking, the necessary actions to remediate any failings or weaknesses identified through the operation of our framework of controls.

HSBC UK's key risk management and internal control procedures are described on page 17 of the Annual Report and Accounts 2024.

Risk measurement and reporting systems

The risk measurement and reporting systems used within HSBC UK are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be managed and mitigated.

Risk measurement and reporting systems used within HSBC UK are also subject to a governance framework designed to help ensure that their build and implementation are fit for purpose and functioning appropriately. Risk information system development is a responsibility of the Group's Global Risk and Compliance function, while the development and operation of risk rating and management systems and processes are ultimately subject to the oversight of the Group's Board.

We are advancing a comprehensive initiative aimed at strengthening our regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls.

We continue to invest significant resources in IT systems and processes in order to maintain and improve our risk management capabilities.

Risk measurement and reporting structures deployed at Group level are applied throughout global businesses and major operating subsidiaries including the Bank through a common operating model for integrated risk management and control. This model sets out the respective responsibilities of Group, global business, region and entity level risk and compliance functions in respect of risk governance and oversight, approval authorities and lending guidelines, global and local scorecards, management information and reporting, and relations with third parties such as regulators, rating agencies and auditors.

Risk analytics and model governance

HSBC UK Risk, in conjunction with HSBC Global Risk, manages a number of analytics disciplines supporting the development and management of models, including those for risk rating, behavioural scoring, economic capital and stress testing, covering different risk types and business segments.

The analytics functions formulate technical responses to industry developments and regulatory policy in the field of risk analytics, and develop HSBC UK's risk models. The HSBC UK Model Risk Committee ('MRC') is the primary committee responsible for the oversight of Model Risk within HSBC UK. It serves an important role in providing strategic direction on the management of models and their associated risks to HSBC UK's businesses and is an essential element of the governance structure for model risk management. MRC is supported by Model Oversight Forums ('MOFs') which are responsible for model risk management within their functional areas, including Wholesale credit risk, Wealth and Personal banking risk, and Finance.

The MRC meets regularly and reports to HSBC UK RMM. It is chaired by the HSBC UK CRO and membership includes senior executives from Risk, Finance, Compliance and the UK businesses. Through its oversight of the MOFs, it identifies emerging risks for all aspects of the risk rating system, helping to ensure that model risk is managed within our risk appetite statement, and formally advises the HSBC UK RMM on any material model-related issues.

Material models are also subject to an independent validation process and governance oversight by the Model Risk Management team within Risk. The team provides challenge to the modelling approaches used across HSBC UK. It also helps to ensure that the performance of those models is transparent and that any limitations are visible to key stakeholders. The development and use of data and models to meet local requirements are the responsibility of our businesses or functions, as well as regional and/or local entities under the governance of our own management, subject to overall Group policy and oversight.

Regulatory and other expectations continue to evolve with regards to our capability and practice of model risk management. We continue to review and enhance our model risk management practices and to invest in developing and embedding these capabilities.

Further information is available on page 71 of the Annual Report and Accounts 2024.

Treasury risk management

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

The CRO is the accountable risk steward for all treasury risks. 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 pension risk management meeting chaired by the accountable risk steward.

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

Further information regarding our approach to treasury risk management including capital risk, liquidity risk, interest rate in the banking book, non-trading foreign exchange exposure and pension risk, are available on page 62 to 68 of the Annual Report and Accounts 2024.

Capital risk

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

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

Liquidity risk

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

Interest rate risk in the banking book

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

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

Our IRRBB risks are measured and managed using a combination of economic value and earnings-based measures to 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 sensitivity; and
- Economic value of equity sensitivity.

Further information regarding IRRBB can be found in the Liquidity risk section of this document on page 20.

Non-trading book foreign exchange exposures

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

HSBC UK has no such foreign operations.

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 reserves is managed by Markets Treasury within the approved appetite.

Own funds

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

Table 6: Composition of Regulatory own funds (UK CC1)

			At	
			31 Dec 2024	31 Dec 2023
		Ref †	**£m**	£m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and the related share premium accounts[1]		**0**	9,015
	– ordinary shares[1]	a	**0**	9,015
2	Retained earnings[1]	b,c	**20,154**	4,198
3	Accumulated other comprehensive income (and other reserves)[1]	c	**1,580**	7,227
UK-5a	Independently reviewed net profits net of any foreseeable charge or dividend	b	**1,387**	1,963
6	**Common equity tier 1 capital before regulatory adjustments**		**23,121**	22,403
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments(negative amount)		**(14)**	(17)
8	Intangible assets (net of related deferred tax liability)(negative amount)	e	**(4,373)**	(4,363)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**656**	294
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(651)**	(280)
15	Defined-benefit pension fund assets(negative amount)	j	**(3,691)**	(3,843)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		**11**	30
28	**Total regulatory adjustments to common equity tier**		**(8,062)**	(8,179)
29	**Common equity tier 1 ('CET1') capital**		**15,059**	14,224
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and the related share premium accounts		**2,196**	2,196
31	– classified as equity under IFRSs	m	**2,196**	2,196
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	n	**52**	59
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
	Tier 2 capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	o	**3,193**	3,293
51	**Tier 2 capital before regulatory adjustments**		**3,193**	3,293
58	**Tier 2 capital**		**3,193**	3,293
59	**Total capital (TC = T1 + T2)**		**20,500**	19,772
60	**Total Risk exposure amount**		**110,423**	101,478
	Capital ratios and buffers (%)			
61	Common equity tier 1 (as a percentage of total risk exposure amount)		**13.6**	14.0
62	Tier 1 (as a percentage of total risk exposure amount)		**15.7**	16.2
63	Total capital(as a percentage of total risk exposure amount)		**18.6**	19.5
64	Institution CET1 overall capital requirement (per Article 92 (1) CRR II, plus additional requirement in accordance with point (a) of Article 104(1) CRR II, and combined buffer requirement in accordance with Article 128(6) CRR II as a percentage of risk exposure amount)		**12.0**	12.1
65	– capital conservation buffer requirement		**2.5**	2.5
66	– countercyclical buffer requirement		**1.9**	1.9
67	– systemic risk buffer requirement		**1.0**	1.0
68	**Common equity tier 1 available to meet buffers**		**7.0**	7.3
	Amounts below the threshold for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR II are met)		**229**	268
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**139**	137
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**495**	450

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

1 During Q4 2024, 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.

At 31 December 2024, the 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.

Pillar 1 minimum capital requirements and RWA flow

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

This table provides information on the scope of permissible approaches and our adopted approach by risk type.

Risk category	Scope of permissible approaches	Our approach
Credit risk	The Basel Committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories, and standardised risk weightings are applied to these categories. The next level, the Foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of exposure at default ('EAD') and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.	HSBC UK has adopted the IRB approach for the majority of its business. For Retail, Advanced IRB is primarily used, with Foundation used for most of the Wholesale portfolio. Some portfolios remain on the standardised approach: – following supervisory prescription of a non-advanced approach; or – under exemptions from IRB treatment.
Counterparty Credit Risk	CCR covers the risk of counterparty default and potential mark-to-market losses in derivatives and SFTs. The potential for mark-to-market losses is known as Credit valuation adjustments ('CVA') risk. The exposure value, for a given netting set, is determined either by the credit risk mitigation ('CRM') approach, Standardised Approach for Counterparty Credit Risk ('SA-CCR'), or by internal model method ('IMM'). For SFTs either the simple or comprehensive approach is applied to recognition of collateral with SFTs or the Value at Risk ('VaR') approach. For CVA, permissible approaches are the Standardised Approach ('SA-CVA') and Advanced Approach ('AA-CVA').	HSBC UK primarily uses the SA-CCR for CCR and for CVA we apply SA-CVA.
Equity	Capital requirements for non-trading book holdings of equity can be assessed under the standardised or IRB approaches.	For HSBC UK, all equity exposures are assessed under the standardised approach.
Securitisation	The framework prescribes the following approaches: – internal ratings-based approach ('SEC-IRBA'); – standardised approach ('SEC-SA'); – external ratings-based approach ('SEC-ERBA'); and – internal assessment approach ('IAA').	Under the framework: – Our originated positions are reported under SEC-IRBA. – Where broader approach categorisation is required, 'SEC-IRBA' is mapped to the IRB approach and the remaining three approaches are mapped to the standardised category. – Our investments in third party follows the SEC-SA and the SEC-ERBA.
Market risk	Market risk capital requirements can be determined under either the standard rules or the internal models approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement. In addition to the VaR models, other internal models include stressed VaR, incremental risk charge ('IRC') and comprehensive risk measure.	For HSBC UK, the market risk capital requirement is measured using the standardised rules.
Operational risk	The Basel Committee allows firms to calculate their operational risk capital requirement under the basic indicator approach, the standardised approach or the advanced measurement approach.	HSBC UK uses the standardised approach in determining operational risk capital requirements.

The table below shows total RWAs and the corresponding total own funds requirement split by risk type. Other counterparty credit risk includes RWAs on securities financing transactions.

Table 7: Overview of risk-weighted exposure amounts (OV1)

		At			
		31 Dec 2024	30 Sep 2024	**31 Dec 2024**	30 Sep 2024
		RWAs	RWAs	**Total own funds requirement**	Total own funds requirement
		£m	£m	**£m**	£m
1	**Credit risk (excluding counterparty credit risk)**	**93,519**	90,605	**7,481**	7,248
2	– standardised approach	**11,067**	10,835	**885**	867
3	– foundation IRB approach	**45,143**	43,036	**3,611**	3,443
4	– slotting approach	**5,012**	4,845	**401**	388
5	– advanced IRB approach	**32,297**	31,889	**2,584**	2,551
6	**Counterparty credit risk**	**243**	248	**19**	20
7	– standardised approach	**87**	119	**7**	10
UK-8a	– risk exposure amount for contributions to the default fund of a central counterparty	**93**	89	**7**	7
UK-8b	– credit valuation adjustment	**38**	26	**3**	2
9	– Other counterparty credit risk	**25**	14	**2**	1
16	**Securitisation exposures in the non-trading book(after the cap)**	**899**	899	**72**	72
17	– internal ratings-based approach ('SEC-IRBA')	**713**	733	**57**	59
18	– external ratings-based approach ('SEC-ERBA') including internal assessment approach ('IAA')	**—**	—	**—**	—
19	– standardised approach ('SEC-SA')	**186**	166	**15**	13
20	**Position, foreign exchange and commodities risks (Market risk)**	**173**	135	**14**	11
21	– standardised approach	**173**	135	**14**	11
23	**Operational risk**	**15,589**	13,607	**1,247**	1,089
UK-23b	– standardised approach	**15,589**	13,607	**1,247**	1,089
29	**Total**	**110,423**	105,494	**8,833**	8,440
24	– of which: Amounts below the thresholds for deduction (subject to 250% risk weight)[1]	**574**	588	**46**	47

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

Credit risk, including amounts below the thresholds for deduction

Excluding £0.4bn increase due to foreign currency translation differences, Credit risk RWAs decreased by £2.9bn during the quarter.

Standardised approach RWAs increased by £0.2bn mainly due to increased lending to other HSBC Group entities.

Foundation approach RWAs increased by £2.1bn mainly due to increase in corporate lending combined with credit migrations.

Slotting approach RWAs increased by £0.2bn mainly due to credit migrations.

Advanced approach RWAs increased by £0.4bn mainly due to increase in specialised lending and retail mortgages.

Operational risk

RWAs increased by £2bn due to higher average revenue in the annual calculation of operational risk.

The table below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the IRB approach. Securitisation positions and Non-credit obligation assets are not included in this table.

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

		Quarter ended			
		31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
		£m	£m	£m	£m
1	**RWAs at the opening period**	**78,773**	77,819	75,622	74,900
2	Asset size	**1,355**	1,861	1,151	589
3	Asset quality	**1,347**	(96)	424	(137)
4	Model updates	**—**	—	95	—
5	Methodology and policy	**(273)**	(500)	548	261
7	Foreign exchange movements	**287**	(311)	(21)	9
9	**RWAs at the closing period**	**81,489**	78,773	77,819	75,622

Excluding £0.3bn increase due to foreign translation differences, RWAs under the IRB approach increased by £2.4bn during the quarter.

- Asset size movements increased RWAs by £1.4bn mainly due to increase in corporate lending.
- Asset quality changes led to a £1.3bn increase in RWAs due to changes in the underlying portfolio mix and CRR migrations.
- Changes in methodology and policy caused £0.3bn decrease in RWAs due to risk parameter refinements and data quality improvements.

Leverage ratio

The risk of excessive leverage is managed as part of the HSBC UK risk appetite framework and monitored using a leverage ratio metric within our risk appetite statement.

Our approach to risk appetite is described on page 16 of the Annual Report and Accounts 2024.

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

Table 9: Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		31 Dec 2024	31 Dec 2023
		£m	£m
	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'))		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**328,348**	323,117
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**618**	353
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(618)**	(353)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(8,704)**	(8,455)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**319,644**	314,662
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**262**	71
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	**647**	366
13	**Total derivative exposures**	**909**	437
	SFT exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**16,834**	10,936
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(2,916)**	(3,157)
16	Counterparty credit risk exposure for SFT assets	**911**	1,265
18	**Total securities financing transaction exposures**	**14,829**	9,044
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**79,654**	76,643
20	(Adjustments for conversion to credit equivalent amounts)	**(59,525)**	(57,491)
22	**Off-balance sheet exposures**	**20,129**	19,152
	Capital and total exposures measure		
23	**Tier 1 capital (leverage)**	**17,307**	16,479
24	Total exposure measure including claims on central banks	**355,511**	343,295
UK-24a	(-) Claims on central banks excluded	**(58,354)**	(72,388)
UK-24b	**Total exposure measure excluding claims on central banks**	**297,157**	270,907
	Leverage ratios		
25	**Leverage ratio excluding claims on central banks (%)**	**5.82**	6.08
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.82**	6.07
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**5.82**	6.08
UK-25c	Leverage ratio including claims on central banks (%)	**4.87**	4.80
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	3.25
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)	**1.1**	1.0
UK-27a	– of which: G-SII or O-SII additional leverage ratio buffer (%)	**0.4**	0.4
UK-27b	– of which: countercyclical leverage ratio buffer (%)	**0.7**	0.6
	Additional leverage ratio disclosure requirements – disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**10,540**	5,381
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**13,918**	7,779
UK-31	Average total exposure measure including claims on central banks	**347,853**	336,943
UK-32	Average total exposure measure excluding claims on central banks	**289,607**	267,547
UK-33	Average leverage ratio including claims on central banks	**5.0**	5.1
UK-34	Average leverage ratio excluding claims on central banks	**6.0**	6.4

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

Table 10: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1-LRSum)

		At	
		31 Dec 2024	31 Dec 2023
		£m	£m
1	Total assets as per published financial statements	**340,877**	332,876
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(89)**	(87)
4	(Adjustment for exemption of exposures to central banks)	**(58,354)**	(72,388)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(116)**	(2)
7	Adjustment for eligible cash pooling transactions	**2,067**	1,910
8	Adjustment for derivative financial instruments	**611**	259
9	Adjustment for securities financing transactions ('SFTs')	**3,053**	1,359
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**20,129**	19,152
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(8,704)**	(8,455)
12	Other adjustments	**(2,317)**	(3,717)
13	**Total leverage ratio exposure**	**297,157**	270,907

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

Table 11: Leverage ratio – split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (UK LR3-LRSpl)

		At	
		31 Dec 2024	31 Dec 2023
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**269,376**	250,375
UK-3	Banking book exposures, of which:	**269,376**	250,375
UK-4	– Covered bonds	**645**	
UK-5	– Exposures treated as sovereigns	**34,976**	24,631
UK-6	– Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	**43**	25
UK-7	– Institutions	**3,331**	2,920
UK-8	– Secured by mortgages of immovable properties	**132,830**	129,105
UK-9	– Retail exposures	**15,392**	14,968
UK-10	– Corporates	**65,127**	62,126
UK-11	– Exposures in default	**2,467**	2,357
UK-12	– Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	**14,565**	14,243

At 31 December 2024, 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 increase in exposure of £26bn mainly due to growth in corporate and retail lending combined with increase in financial investments and reverse repo 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.

At 31 December 2024, UK minimum leverage ratio requirement of 3.25% under the PRA's UK leverage framework was supplemented by a leverage ratio buffer of 1.1%, which consists of an additional leverage ratio buffer of 0.4% and a countercyclical leverage ratio buffer of 0.7%. These buffers translated into capital value of £1bn and £2bn respectively. We exceeded these leverage requirements.

The average leverage ratio decreased to 6.0% from 6.4%, primarily due to increase in average leverage exposure of £22bn mainly driven by increase in corporate and retail lending, financial investments and reverse repo.

Liquidity risk

Management of liquidity and funding risk

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

Liquidity coverage ratio

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

HSBC UK's liquid asset buffer is mainly comprised of central bank reserves and Level 1 securities. At 31 December 2024, HSBC UK's LCR was above regulatory minimum. The average LCR for the 12 months to 31 December 2024 was 190% as compared to 201% at 31 December 2023.

Net stable funding ratio

We use the NSFR, alongside other appropriate metrics, as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. These metrics require institutions to maintain a minimum amount of stable funding based on assumptions of asset liquidity. The NSFR is defined as the ratio between the amount of available stable funding and the amount of required stable funding.

At 31 December 2024, HSBC UK's NSFR was above regulatory minimum. Average NSFR as at 31 December 2024 was 154%, as compared to 158% as at 31 December 2023.

Currency mismatch in the LCR

Our internal liquidity and funding risk management framework requires all operating entities to monitor the LCR for material currencies. This continuous monitoring helps with overall management of currency exposures, in line with our internal framework.

For details on our approach to manage Liquidity Risk, please refer to the Treasury Risk management section page 12.

Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

More details on the concentration of funding and liquidity sources may be found on page 68 of the Annual Report and Accounts 2024.

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

The HSBC UK Bank Domestic Liquidity Sub-group comprises: 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.

The table below sets out the granular split of cash outflows and cash inflows, as well as the available HQLA on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio. The table discloses the liquidity coverage ratio, high-quality liquid assets and net outflows based on end-of-the-month observations over the preceding 12 months for each quarter.

Table 12: Quantitative information of LCR (UK LIQ1)

		Quarter ended 31 Dec 2024		Quarter ended 30 Sep 2024		Quarter ended 30 Jun 2024		Quarter ended 31 Mar 2024	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£m	**£m**	£m	£m	£m	£m	£m	£m
UK 1b	Number of data points used in the calculation of averages		**12**		12		12		12
	High quality liquid assets								
1	Total high quality liquid assets ('HQLA')		**91,348**		90,355		90,445		92,036
	Cash outflows								
2	Retail deposits and small business funding	**192,127**	**15,885**	191,220	15,790	191,540	15,754	193,033	15,858
	– of which:								
3	stable deposits	**121,595**	**6,080**	121,307	6,065	121,847	6,092	122,718	6,136
4	less stable deposits	**70,532**	**9,806**	69,913	9,725	69,693	9,662	70,315	9,722
5	Unsecured wholesale funding	**71,388**	**28,579**	70,536	27,710	71,088	27,880	72,326	28,382
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**23,235**	**5,468**	22,555	5,302	22,198	5,209	22,150	5,188
7	– non-operational deposits (all counterparties)	**47,994**	**22,951**	47,830	22,257	48,745	22,526	50,020	23,038
8	– unsecured debt	**159**	**159**	151	151	145	145	156	156
9	Secured wholesale funding		**2**		2		1		—
10	Additional requirements	**52,218**	**5,973**	44,824	5,487	37,559	5,008	30,468	4,499
11	– outflows related to derivative exposures and other collateral requirements	**827**	**826**	790	789	748	746	723	721
13	– credit and liquidity facilities	**51,391**	**5,147**	44,034	4,698	36,811	4,262	29,745	3,778
14	Other contractual funding obligations	**1,395**	**1,091**	1,360	1,058	986	713	884	633
15	Other contingent funding obligations	**30,072**	**2,127**	36,925	2,554	44,194	3,068	51,368	3,488
16	**Total cash outflows**		**53,657**		52,601		52,424		52,860
	Cash inflows								
17	Secured lending transactions (including reverse repos)	**7,197**	**127**	6,093	100	4,250	107	3,536	74
18	Inflows from fully performing exposures	**4,130**	**3,411**	4,176	3,413	4,237	3,491	4,313	3,583
19	Other cash inflows	**9,819**	**2,062**	9,769	2,035	9,764	2,039	9,961	2,150
20	**Total cash inflows**	**21,146**	**5,600**	20,038	5,548	18,251	5,637	17,810	5,807
UK-20c	Inflows Subject to 75% Cap	**21,146**	**5,600**	20,038	5,548	18,251	5,637	17,810	5,807
	Liquidity coverage ratio (Adjusted value)								
UK-21	Liquidity Buffer		**91,348**		90,355		90,445		92,036
22	Total net cash outflows		**48,057**		47,053		46,787		47,053
23	Liquidity coverage ratio (%)		**190**		192		193		196

The table below shows the components of the net stable funding ratio for unweighted values by residual maturity and the resultant weighted amounts. The NSFR is the average of the preceding four quarters.

Table 13: Net stable funding ratio (UK LIQ2)

		31 Dec 2024				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments	**24,858**	**—**	**—**	**3,181**	**28,039**
2	– Own funds	**24,858**	**—**	**—**	**3,181**	**28,039**
4	Retail deposits		**192,808**	**—**	**—**	**179,639**
5	– Stable deposits		**122,232**	**—**	**—**	**116,120**
6	– Less stable deposits		**70,576**	**—**	**—**	**63,519**
7	Wholesale funding:		**80,442**	**2,592**	**20,689**	**57,026**
8	– Operational deposits		**24,044**	**—**	**—**	**12,022**
9	– Other wholesale funding		**56,398**	**2,592**	**20,689**	**45,004**
11	Other liabilities:	**—**	**6,749**	**—**	**—**	**—**
13	– All other liabilities and capital instruments not included in the above categories		**6,749**	**—**	**—**	**—**
14	**Total available stable funding ('ASF')**					**264,704**
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					**416**
17	Performing loans and securities:		**36,058**	**11,970**	**175,710**	**147,502**
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		**10,187**	**966**	**—**	**483**
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		**582**	**—**	**—**	**29**
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		**16,869**	**6,026**	**39,406**	**44,518**
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		**432**	**475**	**2,101**	**1,819**
22	– Performing residential mortgages		**2,830**	**2,724**	**125,858**	**90,183**
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		**2,796**	**2,692**	**124,402**	**88,902**
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		**5,590**	**2,254**	**10,446**	**12,289**
26	Other assets:	**—**	**4,604**	**—**	**13,234**	**17,332**
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		**1,271**	**—**	**—**	**1,080**
29	– NSFR derivative assets		**120**	**—**	**—**	**120**
30	– NSFR derivative liabilities before deduction of variation margin posted		**86**	**—**	**—**	**4**
31	– All other assets not included in the above categories		**3,127**	**—**	**13,234**	**16,127**
32	Off-balance sheet items		**28,594**	**7,441**	**45,595**	**6,250**
33	**Total RSF**					**171,500**
34	Net stable funding ratio (%)					**154**

Table 13 : Net stable funding ratio (UK LIQ2) (continued)

		31 Dec 2023				
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments	23,540	—	—	3,115	26,655
2	– Own funds	23,540	—	—	3,115	26,655
4	Retail deposits		195,277	—	—	181,946
5	– Stable deposits		123,932	—	—	117,736
6	– Less stable deposits		71,345	—	—	64,211
7	Wholesale funding:		84,840	1,558	19,398	56,129
8	– Operational deposits		22,270	—	—	11,135
9	– Other wholesale funding		62,570	1,558	19,398	44,993
11	Other liabilities:	—	5,406	—	—	—
13	– All other liabilities and capital instruments not included in the above categories		5,406	—	—	—
14	Total available stable funding ('ASF')					264,729
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					318
17	Performing loans and securities:		30,744	11,170	171,946	143,542
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		4,703	1,391	—	696
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		242	—	—	12
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		16,445	5,412	46,442	49,749
21	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		550	515	3,276	2,662
22	– Performing residential mortgages		2,974	2,698	121,311	87,181
23	– of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		2,947	2,672	119,783	85,855
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		6,381	1,669	4,193	5,904
26	Other assets:	—	4,148	—	12,765	16,452
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		341	—	—	290
29	– NSFR derivative assets		141	—	—	141
30	– NSFR derivative liabilities before deduction of variation margin posted		187	—	—	9
31	– All other assets not included in the above categories		3,479	—	12,765	16,011
32	Off-balance sheet items		31,670	6,271	43,150	7,212
33	Total RSF					167,523
34	Net stable funding ratio (%)					158

Interest rate risk in the banking book

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

Risk management and governance

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

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

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

Economic value of equity and banking net interest income sensitivity

EVE measures the present value of the 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 HSBC's internal risk metrics, regulatory rules (including the Supervisory Outlier Test) and external Pillar 3 disclosures. Treasury monitors EVE sensitivities as a percentage of the capital resources.

BNII sensitivities apply varying interest rate scenarios (i.e. simulation modelling) under a static balance sheet whilst all other economic variables are held constant. This measure reflects the sensitivity of BNII due to changes in market interest rates, and is assessed over both one-year and three-years horizons.

Active management of IRRBB

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

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

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

Interest rate shock and stress scenarios applied

The BNII sensitivities are indicative and based on scenarios and shocks prescribed by the PRA instructions (Rule 9.7 of the PRA Rulebook: CRR II Firms: Internal Capital Adequacy Assessment). Calculations are done under the following scenarios:

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

The EVE sensitivities are based on the six PRA Standard Outlier Test shocks:

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

Key modelling assumptions

For EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flows calculation and all balance sheet items are discounted at the risk free rate. As prescribed by the regulator, the interest rate floors start at -1.0% for overnight yield curve tenors and increases 5bps per year to 0.0% at 20 year tenors. All of the negative values are netted with 50% of the positive values by currency as per regulatory guidelines.

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

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

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

The average repricing maturity for NMDs as at 31 December 2024 was 24 months. The longest repricing maturity for NMDs as at 31 December 2024 was 120 months.

Quantitative information on IRRBB

As of 31 December 2024, the maximum decline in EVE is £1,825m from a parallel shock up which translates to 10.5% of tier 1 capital. The most adverse BNII scenario over the next 12 months was the parallel shock down, this would result in a decrease of projected BNII by £761m. The changes in sensitivities from 31 December 2023 have been driven by factors including model improvements, structural interest rate hedging and balance sheet evolution. From 30 June 2024, we have simplified the basis of preparation for our BNII sensitivity disclosure and have used a 50% pass-on assumption on certain interest-bearing deposits. As of 31 December 2023 BNII sensitivity to the parallel shock down would have been -£1.3bn, and to the parallel shock up £1.1bn.

The table below discloses our changes in Interest rate risk in the banking book for economic value of equity and net interest income, calculated under the supervisory shock scenarios defined in the PRA Rulebook.

Table 14: Quantitative information on IRRBB (UK IRRBB1)

		ΔEVE		ΔNII[1]		Tier 1 capital	
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023	**31 Dec 2024**	31 Dec 2023
		£m	£m	**£m**	£m	**£m**	£m
10	Parallel shock up	**(1,825)**	(1,490)	**533**	583		
20	Parallel shock down	**1,071**	926	**(761)**	(1,285)		
30	Steepener shock	**11**	(353)				
40	Flattener shock	**(380)**	34				
50	Short rates shock up	**(974)**	(463)				
60	Short rates shock down	**522**	252				
70	Maximum	**(1,825)**	(1,490)	**(761)**	(1,285)		
80	Tier 1 capital					**17,307**	16,479

1 ΔNII for both reporting periods show Banking NII sensitivities to align with other disclosures.

Asset encumbrance

The below asset encumbrance tables are prepared on the regulatory scope of consolidation basis consistent with the regulatory scope of consolidation used to prepare other liquidity reporting. Each of the reported values in the below tables are based on the average of the previous four quarters. Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, are considered encumbered.

HSBC UK has £26bn of encumbered assets, which represents 7.8% of the total assets. The carrying amount of encumbered other assets is £21bn which is predominantly loans and advances of £16bn and loans on demand of £5bn.

HSBC UK has £307bn of unencumbered assets, which represents 92.2% of the total assets. The carrying amount of unencumbered other assets of £279bn is predominantly loans and advances of £205bn and loans on demand of £52bn.

The carrying amount of selected financial liabilities is £13bn which primarily relates to collateralised deposits other than repurchase agreements with central banks of £10bn.

HSBC UK has £0.9bn of collateral encumbered, which represents 6.5% of the total collateral received.

The table below provides split of on balance sheet assets between encumbered and unencumbered.

Table 15: Encumbered and unencumbered assets (UK AE1)

		Carrying amount of encumbered assets		**Fair value of encumbered assets**		**Carrying amount of unencumbered assets**		**Fair value of unencumbered assets**	
		Total	**of which: notionally eligible EHQLA and HQLA**	**Total**	**of which: notionally eligible EHQLA and HQLA**	**Total**	**of which: EHQLA and HQLA**	**Total**	**of which: EHQLA and HQLA**
		010	**030**	**040**	**050**	**060**	**080**	**090**	**100**
2024		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
010	**Assets of the reporting institution**	**26,169**	**5,147**			**307,316**	**81,212**		
030	Equity instruments	**—**	**—**	**—**	**—**	**44**	**—**	**44**	**—**
040	Debt securities	**5,147**	**5,147**	**5,147**	**5,147**	**28,355**	**28,318**	**27,981**	**27,944**
	– of which:								
050	covered bonds	**—**	**—**	**—**	**—**	**1,810**	**1,810**	**1,810**	**1,810**
060	securitisations	**—**	**—**	**—**	**—**	**233**	**233**	**233**	**233**
070	issued by general governments	**5,120**	**5,120**	**5,120**	**5,120**	**23,640**	**23,619**	**23,257**	**23,236**
080	issued by financial corporations	**27**	**27**	**27**	**27**	**3,993**	**3,978**	**4,002**	**3,987**
120	Other assets	**21,022**	**—**			**278,917**	**52,894**		

The table below provides details for collateral received and own debt security issued.

Table 16: Collateral received and own debt securities issued (UK AE2)

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		Total	of which: notionally eligible EHQLA and HQLA	Total	of which: EHQLA and HQLA
		010	030	040	060
2024		£m	£m	£m	£m
130	**Collateral received by the reporting institution**	**893**	**893**	**12,948**	**12,948**
160	Debt securities	**893**	**893**	**12,948**	**12,948**
170	– of which: covered bonds	**—**	**—**	**515**	**515**
190	issued by general governments	**893**	**893**	**12,358**	**12,358**
200	issued by financial corporations	**—**	**—**	**590**	**590**
250	**Total assets, collateral received and own debt securities issued**	**27,062**	**6,040**		

The table below provides sources of encumbrance.

Table 17: Sources of encumbrance (UK AE3)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
2024		£m	£m
010	Carrying amount of selected financial liabilities	**13,093**	**20,601**

Importance of encumbrance

We are a deposit-led bank and hence the majority of our funding is from customer current accounts and customer savings deposits payable on demand or at short notice. Given this structural unsecured funding position, we have less requirement to fund ourselves in secured markets, and therefore our overall low level of encumbrance reflects this position. There is monitoring against a limit on the level of asset encumbrance.

Pillar 2 and ICAAP

Pillar 2

We conduct an Internal Capital Adequacy Assessment Process ('ICAAP') annually to determine a point-in-time and forward-looking assessment of our capital requirements and adequacy given our business strategy, risk profile, risk appetite and capital plan. The ICAAP supports the identification, measurement and monitoring of HSBC UK's risks and helps to ensure that capital resources are held against those risks. It forms an integral part of HSBC UK's capital management and is embedded within the planning process and governance framework. Our base capital plan undergoes stress testing and in alignment with our economic capital framework and other risk management practices, is used to assess our internal capital adequacy requirements and inform our view of our internal capital planning buffer. The ICAAP is formally approved by the HSBC UK Board of Directors each year, which has the ultimate responsibility for the effective management of risk and approval of HSBC UK's risk appetite.

The ICAAP is reviewed by the PRA as part of the joint risk assessment and decision process, during the Supervisory Review and Evaluation Process. This process occurs periodically to enable the regulator to define the Total Capital Requirement ('TCR') or minimum capital requirements for HSBC UK (comprising Pillar 1 and Pillar 2A) and to define the PRA buffer also known as Pillar 2B, where required. The PRA buffer is not intended to duplicate the Capital Requirements Regulation and Directive (CRD IV) buffers and, where necessary, will be set according to vulnerability in a stress scenario, as identified and assessed through the annual PRA stress testing exercise.

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

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

Internal capital adequacy assessment

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

– remain sufficient to support our risk profile and outstanding commitments;

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

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

Economic capital is the internally calculated capital requirement that we deem necessary to support the risks to which we are exposed.

The economic capital assessment is a more risk-sensitive measure than the regulatory minimum and takes account of the substantial diversification of risk accruing from our different operations. Both the regulatory and the economic capital assessments rely upon the use of models that are integrated into our risk management processes.

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

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. It arises principally from direct lending, trade finance and leasing business, but also from off-balance sheet products, such as guarantees and commitments, and from the group's holdings of debt and other securities.

Further explanation of the group's approach to managing credit risk (including details of past due and impaired exposures, and its approach to credit risk impairments) can be found from page 25 of the Annual Report and Accounts 2024.

Credit quality

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

The IFRS 9 stages have the following characteristics:

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

Credit-impaired (stage 3) exposures are disclosed on page 45 to 61 of the Annual Report and Accounts 2024.

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

Table 18: Performing and non-performing exposures and related provisions (CR1)

		Gross carrying amount/ nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures		Accumulated partial write-off	On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	58,363	58,363	—	2	2	—	—	—	(2)	(2)	—	—	—
010	**Loans and advances**	228,533	193,241	35,156	3,532	3,532	(843)	(278)	(565)	(648)	(648)	(685)	174,045	2,114
030	General governments	3	3	—	—	—	—	—	—	—	—	—	1	—
040	Credit institutions	4,260	4,256	—	—	—	—	—	—	—	—	—	3,406	—
050	Other financial corporations	16,812	16,357	323	37	37	(13)	(8)	(5)	(31)	(31)	—	9,439	1
060	Non-financial corporations	61,049	51,187	9,862	2,638	2,638	(468)	(153)	(315)	(448)	(448)	(685)	27,979	1,582
070	– of which: SMEs	8,414	7,202	1,212	727	727	(88)	(18)	(70)	(100)	(100)	(39)	5,560	557
080	Households	146,409	121,438	24,971	857	857	(362)	(117)	(245)	(169)	(169)	—	133,220	531
090	**Debt securities**	37,632	37,632	—	—	—	(1)	(1)	—	—	—	—	1,055	—
100	Central banks	776	776	—	—	—	—	—	—	—	—	—	—	—
110	General governments	32,771	32,771	—	—	—	(1)	(1)	—	—	—	—	896	—
120	Credit institutions	3,805	3,805	—	—	—	—	—	—	—	—	—	159	—
130	Other financial corporations	280	280	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	80,534	71,157	3,971	486	393	(54)	(25)	(29)	(66)	(48)		14,823	46
170	General governments	7	1	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	1,331	1,306	1	—	—	—	—	—	—	—		—	—
190	Other financial corporations	4,524	3,887	248	13	13	(2)	(1)	(1)	(1)	(1)		212	—
200	Non-financial corporations	33,602	25,245	3,370	435	342	(48)	(20)	(28)	(63)	(45)		5,235	42
210	Households	41,070	40,718	352	38	38	(4)	(4)	—	(2)	(2)		9,376	4
220	**Total at 31 Dec 2024**	405,062	360,393	39,127	4,020	3,927	(898)	(304)	(594)	(716)	(698)	(685)	189,923	2,160

Table 18: Performing and non-performing exposures and related provisions (CR1) (continued)

		Gross carrying amount/ nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures		Accumulated partial write-off	On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 3			
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	73,041	73,041	—	2	2	—	—	—	(2)	(2)	—	—	—
010	Loans and advances	217,992	175,615	42,289	3,911	3,911	(1,046)	(291)	(755)	(663)	(663)	(501)	167,066	2,279
030	General governments	89	89	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	1,390	1,387	—	—	—	—	—	—	—	—	—	1,103	—
050	Other financial corporations	14,069	13,147	837	78	78	(16)	(10)	(6)	(35)	(35)	—	7,446	32
060	Non-financial corporations	60,084	46,227	13,857	2,878	2,878	(527)	(162)	(365)	(428)	(428)	(501)	29,173	1,699
070	– of which: SMEs	10,446	8,621	1,825	1,202	1,202	(119)	(35)	(84)	(95)	(95)	(22)	7,420	992
080	Households	142,360	114,765	27,595	955	955	(503)	(119)	(384)	(200)	(200)	—	129,344	548
090	Debt securities	26,145	26,145	—	—	—	(1)	(1)	—	—	—	—	911	—
100	Central banks	316	316	—	—	—	—	—	—	—	—	—	—	—
110	General governments	22,085	22,085	—	—	—	(1)	(1)	—	—	—	—	619	—
120	Credit institutions	3,550	3,550	—	—	—	—	—	—	—	—	—	292	—
130	Other financial corporations	194	194	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	76,237	66,069	5,093	406	341	(57)	(31)	(26)	(64)	(45)		14,226	48
170	General governments	6	1	—	—	—	—	—	—	—	—		—	—
180	Credit institutions	125	85	1	—	—	—	—	—	—	—		—	—
190	Other financial corporations	4,012	2,882	802	20	20	(2)	(1)	(1)	—	—		177	—
200	Non-financial corporations	30,669	22,252	3,714	317	252	(47)	(22)	(25)	(62)	(43)		4,401	37
210	Households	41,425	40,849	576	69	69	(8)	(8)	—	(2)	(2)		9,648	11
220	Total at 31 Dec 2023	393,415	340,870	47,382	4,319	4,254	(1,104)	(323)	(781)	(729)	(710)	(501)	182,203	2,327

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

Table 19: Maturity of exposures (CR1-A)

		Net exposure value[1]					
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
1	Loans and advances	**8,316**	**41,449**	**42,473**	**138,201**	**135**	**230,574**
2	Debt securities	**—**	**8,907**	**14,765**	**13,959**	**—**	**37,631**
3	**Total as at 31 Dec 2024**	**8,316**	**50,356**	**57,238**	**152,160**	**135**	**268,205**
1	Loans and advances	49,708	42,418	60,146	143,275	—	295,547
2	Debt securities	—	5,495	7,891	12,736	—	26,122
3	Total at 31 Dec 2023	49,708	47,913	68,037	156,011	—	321,669

1 We have enhanced our disclosures to align with Table 18, performing and non-performing exposures and related provisions (CR1) and now include securitisation positions offset by exclusion of accrued interest on loan and advances and change in presentation for IFRS netting and £75bn of off-balance sheet exposures primarily with less than 1 year maturity. Further reporting process improvements resulted in reclassification of exposures between different maturity buckets. These changes are not included at 31 December 2023.

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

Table 20: Changes in the stock of non-performing loans and advances (CR2)

		Twelve months to 31 Dec	
		2024	2023
		Gross carrying value	Gross carrying value
		£m	£m
10	**Initial stock of non-performing loans and advances**	**3,911**	4,544
20	Inflows to non-performing portfolios	**2,153**	2,521
30	Outflows from non-performing portfolios	**(673)**	(654)
40	Outflows due to write-offs	**(605)**	(662)
50	Outflow due to other situations[1]	**(1,254)**	(1,838)
60	**Final stock of non-performing loans and advances**	**3,532**	3,911

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

Non-performing and forborne exposures

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

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

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

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

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

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

The PRA acknowledged that, whilst they are not applicable to or in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

The table below breaks down performing and non-performing forborne exposures by FINREP product and counterparty sector and showing the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures.

Table 21: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	of which: defaulted	of which: impaired	On performing forborne exposures	On non performing forborne exposures	Total	of which: forborne non-performing exposures
		£m	£m	£m	£m	£m	£m	£m	£m
010	**Loans and advances**	**997**	**1,779**	**1,779**	**1,779**	**(80)**	**(314)**	**1,348**	**956**
050	Other financial corporations	**3**	**3**	**3**	**3**	**—**	**(2)**	**1**	**1**
060	Non-financial corporations	**861**	**1,405**	**1,405**	**1,405**	**(68)**	**(219)**	**1,116**	**745**
070	Households	**133**	**371**	**371**	**371**	**(12)**	**(93)**	**231**	**210**
090	**Loan commitments given**	**144**	**179**	**179**	**179**	**—**	**(3)**	**53**	**26**
100	**Total at 31 Dec 2024**	**1,141**	**1,958**	**1,958**	**1,958**	**(80)**	**(317)**	**1,401**	**982**
010	Loans and advances	1,159	1,518	1,518	1,518	(59)	(227)	1,370	723
050	Other financial corporations	—	11	11	11	—	—	1	1
060	Non-financial corporations	1,010	1,099	1,099	1,099	(40)	(125)	1,121	498
070	Households	149	408	408	408	(19)	(102)	248	224
090	Loan commitments given	47	169	169	169	—	—	49	35
100	Total at 31 Dec 2023	1,206	1,687	1,687	1,687	(59)	(227)	1,419	758

The table below presents an analysis of performing and non-performing exposures by days past due. The gross non-performing loan ('NPL') ratio at 31 December 2024 was 1.5% calculated in line with the EBA guidelines.

Table 22: Credit quality of performing and non-performing exposures by past due days (CQ3)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total £m	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which: defaulted
005	**Cash balances at central banks and other demand deposits**	**58,363**	**58,363**	—	**2**	**2**	—	—	—	—	—	—	**2**
010	**Loans and advances**	**228,533**	**228,357**	**176**	**3,532**	**2,529**	**260**	**547**	**30**	**156**	**10**	—	**3,532**
030	General governments	**3**	**3**	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	**4,260**	**4,260**	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	**16,812**	**16,812**	—	**37**	**7**	—	**30**	—	—	—	—	**37**
060	Non-financial corporations	**61,049**	**60,990**	**59**	**2,638**	**2,080**	**113**	**379**	**28**	**28**	**10**	—	**2,638**
070	– of which: SMEs	**8,414**	**8,361**	**53**	**727**	**305**	**64**	**340**	**8**	**10**	—	—	**727**
080	Households	**146,409**	**146,292**	**117**	**857**	**442**	**147**	**138**	**2**	**128**	—	—	**857**
090	**Debt securities**	**37,632**	**37,632**	—	—	—	—	—	—	—	—	—	—
100	Central banks	**776**	**776**	—	—	—	—	—	—	—	—	—	—
110	General governments	**32,771**	**32,771**	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	**3,805**	**3,805**	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	**280**	**280**	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**80,534**			**486**								**486**
160	Central banks	—			—								—
170	General governments	**7**			—								—
180	Credit institutions	**1,331**			—								—
190	Other financial corporations	**4,524**			**13**								**13**
200	Non-financial corporations	**33,602**			**435**								**435**
210	Households	**41,070**			**38**								**38**
220	**Total at 31 Dec 2024**	**405,062**	**324,352**	**176**	**4,020**	**2,531**	**260**	**547**	**30**	**156**	**10**	—	**4,020**
005	Cash balances at central banks and other demand deposits	73,041	73,041	—	2	2	—	—	—	—	—	—	2
010	Loans and advances	217,992	217,757	235	3,911	2,425	321	941	64	151	9	—	3,911
030	General governments	89	89	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	1,390	1,390	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	14,069	14,041	28	78	78	—	—	—	—	—	—	78
060	Non-financial corporations	60,084	59,983	101	2,878	1,832	185	766	64	22	9	—	2,878
070	– of which: SMEs	10,446	10,364	82	1,202	367	110	709	14	2	—	—	1,202
080	Households	142,360	142,254	106	955	515	136	175	—	129	—	—	955
090	Debt securities	26,145	26,145	—	—	—	—	—	—	—	—	—	—
100	Central banks	316	316	—	—	—	—	—	—	—	—	—	—
110	General governments	22,085	22,085	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	3,550	3,550	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	194	194	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	76,237			406								406
160	Central banks	—			—								—
170	General governments	6			—								—
180	Credit institutions	125			—								—
190	Other financial corporations	4,012			20								20
200	Non-financial corporations	30,669			317								317
210	Households	41,425			69								69
220	Total at 31 Dec 2023	393,415	316,943	235	4,319	2,427	321	941	64	151	9	—	4,319

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

Table 23: Collateral obtained by taking possession and execution processes (CQ7)

		At 31 Dec 2024		At 31 Dec 2023	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
		£m	£m	£m	£m
020	Other than property, plant and equipment	4	—	2	—
030	Residential immovable property	4	—	2	—
080	**Total**	4	—	2	—

Concentration risk

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

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

The table below shows the credit quality of on and off-balance sheet exposures by geography. The geographical breakdown is based on the country of residence of the immediate counterparty. The on-balance sheet exposures exclude cash and balances at central banks. The table has been updated to only disclose countries that are contributing 1% or more of the total on-balance sheet and off-balance sheet exposures respectively and countries that are contributing less than 1% are aggregated within 'other countries'.

Table 24: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/Nominal amount					
		Total	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given
		£m	£m	£m	£m	£m	£m
010	**On balance sheet exposures**	269,697	3,532	3,532	269,561	(1,492)	
020	United Kingdom	235,643	3,314	3,314	235,512	(1,444)	
030	United States	11,398	4	4	11,398	(6)	
070	Other countries	22,656	214	214	22,651	(42)	
080	**Off-balance sheet exposures**	81,020	486	486			(120)
090	United Kingdom	74,790	454	454			(113)
110	Luxembourg	1,254	—	—			—
140	Other countries	4,976	32	32			(7)
150	**Total at 31 Dec 2024**	350,717	4,018	4,018	269,561	(1,492)	(120)
010	**On balance sheet exposures**	248,048	3,911	3,911	247,960	(1,710)	
020	United Kingdom	222,280	3,810	3,810	222,194	(1,655)	
030	United States	9,449	4	4	9,449	(8)	
070	Other countries	16,319	97	97	16,317	(47)	
080	**Off-balance sheet exposures**	76,643	406	406			(122)
090	United Kingdom	72,540	383	383			(117)
110	Luxembourg	1,064	—	—			(1)
140	Other countries	3,039	23	23			(4)
150	Total at 31 Dec 2023	324,691	4,317	4,317	247,960	(1,710)	(122)

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

Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount				
		Total	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment
		£m	£m	£m	£m	£m
010	Agriculture, forestry and fishing	**4,317**	**192**	**192**	**4,317**	**(55)**
020	Mining and quarrying	**603**	**1**	**1**	**603**	**(5)**
030	Manufacturing	**7,974**	**341**	**341**	**7,974**	**(111)**
040	Electricity, gas, steam and air conditioning supply	**1,354**	**5**	**5**	**1,354**	**(3)**
050	Water supply	**946**	**14**	**14**	**946**	**(5)**
060	Construction	**2,835**	**138**	**138**	**2,835**	**(86)**
070	Wholesale and retail trade	**10,129**	**508**	**508**	**10,129**	**(158)**
080	Transport and storage	**2,155**	**67**	**67**	**2,155**	**(19)**
090	Accommodation and food service activities	**5,712**	**390**	**390**	**5,712**	**(80)**
100	Information and communication	**3,235**	**138**	**138**	**3,235**	**(78)**
120	Real estate activities	**10,499**	**375**	**375**	**10,499**	**(122)**
130	Professional, scientific and technical activities	**4,326**	**129**	**129**	**4,326**	**(80)**
140	Administrative and support service activities	**5,030**	**58**	**58**	**5,030**	**(36)**
160	Education	**725**	**31**	**31**	**725**	**(19)**
170	Human health services and social work activities	**1,801**	**98**	**98**	**1,801**	**(31)**
180	Arts, entertainment and recreation	**925**	**36**	**36**	**925**	**(8)**
190	Other services	**1,121**	**117**	**117**	**1,121**	**(20)**
200	**Total at 31 Dec 2024**	**63,687**	**2,638**	**2,638**	**63,687**	**(916)**
010	Agriculture, forestry and fishing	4,244	186	186	4,244	(68)
020	Mining and quarrying	663	2	2	663	(6)
030	Manufacturing	7,646	426	426	7,646	(170)
040	Electricity, gas, steam and air conditioning supply	746	2	2	746	(4)
050	Water supply	990	9	9	990	(10)
060	Construction	3,305	199	199	3,305	(67)
070	Wholesale and retail trade	10,094	553	553	10,094	(146)
080	Transport and storage	2,107	61	61	2,107	(18)
090	Accommodation and food service activities	6,048	343	343	6,048	(86)
100	Information and communication	3,064	110	110	3,064	(73)
120	Real estate activities	10,047	360	360	10,047	(99)
130	Professional, scientific and technical activities	4,171	169	169	4,171	(75)
140	Administrative and support service activities	5,223	132	132	5,223	(48)
160	Education	687	33	33	687	(9)
170	Human health services and social work activities	1,860	106	106	1,860	(30)
180	Arts, entertainment and recreation	990	53	53	990	(21)
190	Other services	1077	134	134	1077	(25)
200	Total at 31 Dec 2023	62,962	2,878	2,878	62,962	(955)

Risk mitigation

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

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

Collateral

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

Further information regarding collateral held over CRE and residential property is provided on pages 51 and 61, respectively, of the Annual Report and Accounts 2024.

Financial collateral

HSBC UK provides customers with working capital management products. In some cases, these products combine loans and advances to customers with customer accounts over which we have right of offset which comply with the regulatory requirements for on-balance sheet netting. Where this applies, the customer accounts are treated as cash collateral and are reflected in our LGD estimates. For risk management purposes, the net amounts of such exposures are subject to limits and the relevant customer agreements are subject to review to ensure the legal right of offset remains appropriate.

Other forms of credit risk mitigation

Facilities to SMEs are commonly granted against guarantees given by their owners and/or directors. Guarantees may be taken from third parties where the group extends facilities without the benefit of any alternative form of security e.g. where it issues a bid or performance bond in favour of a non-customer at the request of another bank.

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

Policy and procedures

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

Valuing collateral

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. The frequency of valuation increases with the volatility of the collateral. In the residential mortgage business HSBC UK policy prescribes revaluation at intervals of up to three years, or more frequently as the need arises; for example, where market conditions are subject to significant change. Residential property collateral values are determined through a combination of professional appraisals, house price indices or statistical analysis.

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

Recognition of risk mitigation under the IRB approach

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

- those which reduce the intrinsic PD of an obligor and therefore operate as determinants of PD; and
- those which affect the estimated recoverability of obligations and require adjustment of LGD or, in certain limited circumstances, EAD.

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

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

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

EAD and LGD values, in the case of individually assessed exposures, are determined by reference to internal risk parameters based on the nature of the exposure. For retail portfolios, credit risk mitigation data is incorporated into the internal risk parameters for exposures and feeds into the calculation of the expected loss (‘EL’) band value summarising both customer delinquency and product or facility risk. Credit and credit risk mitigation data form inputs submitted by all HSBC UK offices to centralised databases. A range of collateral recognition approaches are applied to IRB capital treatments:

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

Table 26 sets out the exposure value and the effective value of credit risk mitigation expressed as the exposure value covered by the credit risk mitigants.

Recognition of risk mitigation under the standardised approach

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

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

The table below provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques.

Table 26: Credit risk mitigation techniques – overview (CR3)

		Total Exposure: secured and unsecured	Exposures unsecured: carrying amount	Exposures secured: carrying amount	of which: Exposures secured by collateral	of which: Exposures secured by financial guarant-ees	of which: Exposures secured by credit deriva-tives[1]
		£m	£m	£m	£m	£m	£m
1	Loans and advances	**288,937**	**112,778**	**176,159**	**171,910**	**4,249**	**—**
2	Debt securities	**37,631**	**36,576**	**1,055**	**—**	**1,055**	
3	**Total at 31 Dec 2024**	**326,568**	**149,354**	**177,214**	**171,910**	**5,304**	**—**
4	– of which: non-performing exposures	**2,884**	**769**	**2,114**	**1,657**	**457**	**—**
5	– of which: defaulted	**2,884**	**769**	**2,114**			
1	Loans and advances	293,235	123,890	169,345	164,202	5,143	—
2	Debt securities	26,144	25,233	911	—	911	
3	Total at 31 Dec 2023	319,379	149,123	170,256	164,202	6,054	—
4	– of which: non-performing exposures	3,248	969	2,279	1,374	905	—
5	– of which: defaulted	3,248	969	2,279			

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

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

Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
		£m	£m	£m	£m	£m	%
	Asset classes						
1	Central governments or central banks	**79,038**	**1**	**82,924**	**20**	**574**	**1**
2	Regional governments or local authorities	**147**	**—**	**491**	**—**	**—**	**—**
3	Public sector entities	**703**	**—**	**—**	**—**	**—**	**—**
4	Multilateral development banks	**1,520**	**—**	**1,520**	**—**	**—**	**—**
5	International organisations	**428**	**—**	**428**	**—**	**—**	**—**
6	Institutions	**1,342**	**—**	**1,342**	**—**	**455**	**34**
7	Corporates	**7,578**	**3,519**	**7,567**	**1,033**	**8,249**	**96**
8	Retail	**2,146**	**231**	**2,099**	**15**	**1,508**	**71**
9	Secured by mortgages on immovable property	**143**	**—**	**143**	**—**	**50**	**35**
10	Exposures in default	**74**	**18**	**67**	**7**	**90**	**122**
15	Equity	**39**	**—**	**40**	**—**	**40**	**100**
16	Other items	**319**	**—**	**319**	**—**	**101**	**32**
17	**Total at 31 Dec 2024**	**93,477**	**3,769**	**96,940**	**1,075**	**11,067**	**11**
1	Central governments or central banks	86,302	1	91,711	25	652	1
2	Regional governments or local authorities	56	—	594	—	—	—
3	Public sector entities	726	—	—	—	—	—
4	Multilateral development banks	1,341	—	1,341	—	—	—
5	International organisations	366	—	366	—	—	—
6	Institutions	495	35	495	35	179	34
7	Corporates	7,072	3,428	7,021	1,341	8,310	99
8	Retail	2,047	438	1,963	13	1,398	71
9	Secured by mortgages on immovable property	182	—	182	—	64	35
10	Exposures in default	107	24	98	7	150	144
15	Equity	47	—	47	—	47	100
16	Other items	345	—	345	—	118	34
17	Total at 31 Dec 2023	99,086	3,926	104,163	1,421	10,918	10

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

Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A)

			Funded credit Protection ('FCP')								
				Part of exposures covered by Other eligible collateral (%)				Part of exposures covered by Other funded credit protection (%)			
		Total exposures	Part of exposures covered by financial collateral	Total	Part of exposures covered by Immovable property collateral	Part of exposures covered by receivables	Part of exposures covered by other physical collateral	Total	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party
AIRB		**£m**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	Central governments and central banks	**11,495**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2	Institutions	**2,735**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
3	Corporates	**2,805**	**3.60**	**2.60**	**2.50**	**—**	**—**	**—**	**—**	**—**	**—**
3.1	– of which: Corporates – SMEs	**3**	**—**	**40.90**	**40.90**	**—**	**—**	**—**	**—**	**—**	**—**
3.2	Corporates – specialised lending	**1,320**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
3.3	Corporates – other	**1,482**	**25.00**	**18.00**	**17.70**	**—**	**0.30**	**—**	**—**	**—**	**—**
4	Retail	**175,892**	**0.50**	**79.20**	**79.20**	**—**	**—**	**—**	**—**	**—**	**—**
4.1	– of which: Retail – immovable property SMEs	**1**	**0.60**	**75.70**	**75.70**	**—**	**—**	**—**	**—**	**—**	**—**
4.2	Retail – immovable property non-SMEs	**139,597**	**—**	**99.80**	**99.80**	**—**	**—**	**—**	**—**	**—**	**—**
4.3	Retail – qualifying revolving	**25,786**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
4.4	Retail – other SMEs	**4,115**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
4.5	Retail – other non-SMEs	**6,393**	**12.60**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	**Total at 31 Dec 2024**	**192,927**	**0.60**	**69.60**	**69.60**	**—**	**—**	**—**	**—**	**—**	**—**
FIRB											
3	Corporates	**65,737**	**9.00**	**33.20**	**22.80**	**5.90**	**4.50**	**—**	**—**	**—**	**—**
3.1	– of which: Corporates – SMEs	**5,233**	**0.20**	**65.00**	**49.80**	**9.90**	**5.30**	**—**	**—**	**—**	**—**
3.3	Corporates – other	**60,504**	**9.80**	**30.50**	**20.50**	**5.50**	**4.50**	**—**	**—**	**—**	**—**
4	**Total at 31 Dec 2024**	**65,737**	**9.00**	**33.20**	**22.80**	**5.90**	**4.50**	**—**	**—**	**—**	**—**
IRB											
	Specialised lending under the slotting approach at 31 Dec 2024	**7,629**	—	—	—	—	—	—	—	—	—

Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

			Funded credit Protection ('FCP')								
				Part of exposures covered by Other eligible collateral (%)				Part of exposures covered by Other funded credit protection (%)			
		Total exposures	Part of exposures covered by financial collateral	Total	Part of exposures covered by Immovable property collateral	Part of exposures covered by receivables	Part of exposures covered by other physical collateral	Total	Part of exposures covered by cash on deposit	Part of exposures covered by life insurance policies	Part of exposures covered by instruments held by a third party
AIRB		£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	8,230	—	—	—	—	—	—	—	—	—
2	Institutions	2,568	—	—	—	—	—	—	—	—	—
3	Corporates	2,087	2.10	3.60	3.60	—	0.10	—	—	—	—
3.1	– of which: Corporates – SMEs	2	—	13.80	13.80	—	—	—	—	—	—
3.2	Corporates – specialised lending	948	—	—	—	—	—	—	—	—	—
3.3	Corporates – other	1,137	18.70	32.90	32.20	—	0.70	—	—	—	—
4	Retail	173,269	0.40	78.40	78.40	—	—	—	—	—	—
4.1	– of which: Retail – immovable property SMEs	1	—	94.90	94.90	—	—	—	—	—	—
4.2	Retail – immovable property non-SMEs	136,293	—	99.60	99.60	—	—	—	—	—	—
4.3	Retail – qualifying revolving	25,202	—	—	—	—	—	—	—	—	—
4.4	Retail – other SMEs	5,530	—	—	—	—	—	—	—	—	—
4.5	Retail – other non-SMEs	6,243	11.10	—	—	—	—	—	—	—	—
5	Total at 31 December 2023	186,154	0.50	70.00	70.00	—	—	—	—	—	—
FIRB											
3	Corporates	60,713	9.00	35.40	24.30	6.40	4.70	—	—	—	—
3.1	– of which: Corporates – SMEs	6,468	0.10	66.40	51.90	9.30	5.20	—	—	—	—
3.3	Corporates – other	54,245	10.00	31.70	21.00	6.00	4.70	—	—	—	—
4	Total at 31 Dec 2023	60,713	9.00	35.40	24.30	6.40	4.70	—	—	—	—
IRB											
	Specialised lending under the slotting approach at 31 Dec 2023	8,222	—	—	—	—	—	—	—	—	—

Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

		Unfunded credit Protection		Credit risk mitigation methods in the calculation of RWAs	
		Part of exposures covered by guarantees	Part of exposures covered by credit derivatives	RWA post-All CRM assigned to the obligor exposure class	RWA with substitution effects
AIRB		**%**	**%**	**£m**	**£m**
1	Central governments and central banks	**—**	**—**	**1,007**	**1,007**
2	Institutions	**—**	**—**	**280**	**280**
3	Corporates	**5.40**	**—**	**1,560**	**1,560**
3.1	– of which: Corporates – SMEs	**—**	**—**	**1**	**1**
3.2	Corporates – specialised lending	**2.80**	**—**	**951**	**951**
3.3	Corporates – other	**35.40**	**—**	**608**	**608**
4	Retail	**0.02**	**—**	**28,487**	**28,485**
4.1	– of which: Retail – immovable property SMEs	**8.60**	**—**	**2**	**2**
4.2	Retail – immovable property non-SMEs	**—**	**—**	**15,960**	**15,959**
4.3	Retail – qualifying revolving	**—**	**—**	**6,158**	**6,158**
4.4	Retail – other SMEs	**—**	**—**	**1,796**	**1,796**
4.5	Retail – other non-SMEs	**0.10**	**—**	**4,569**	**4,569**
5	**Total at 31 Dec 2024**	**0.30**	**—**	**31,334**	**31,333**
FIRB					
3	Corporates	**—**	**—**	**45,143**	**45,143**
3.1	– of which: Corporates – SMEs	**—**	**—**	**2,988**	**2,988**
3.3	Corporates – other	**—**	**—**	**42,155**	**42,156**
4	**Total at 31 Dec 2024**	**—**	**—**	**45,143**	**45,143**
IRB					
	Specialised lending under the slotting approach at 31 Dec 2024	**—**	**—**	**5,012**	**5,012**
AIRB					
1	Central governments and central banks	—	—	782	782
2	Institutions	—	—	306	306
3	Corporates	3.20	—	1,026	1,026
3.1	– of which: Corporates – SMEs	1.40	—	1	1
3.2	Corporates – specialised lending	2.30	—	518	518
3.3	Corporates – other	27.00	—	507	507
4	Retail	—	—	27,606	27,606
4.1	– of which: Retail – immovable property SMEs	—	—	2	2
4.2	Retail – immovable property non-SMEs	—	—	14,889	14,889
4.3	Retail – qualifying revolving	—	—	6,249	6,249
4.4	Retail – other SMEs	—	—	1,842	1,842
4.5	Retail – other non-SMEs	—	—	4,624	4,624
5	Total at 31 Dec 2023	0.20	—	29,720	29,720
FIRB					
3	Corporates	—	—	40,034	40,034
3.1	– of which: Corporates – SMEs	—	—	3,454	3,454
3.3	Corporates – other	—	—	36,580	36,580
4	Total at 31 Dec 2023	—	—	40,034	40,034
IRB					
	Specialised lending under the slotting approach at 31 Dec 2023	—	—	5,146	5,146

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The table below shows exposures and percentages covered by the IRB and SA portfolio. This table excludes counterparty credit risk exposures and securitisation exposures.

Table 29: Scope of the use of IRB and SA approaches (UK CR6-A)

		Exposure value as defined in Article 166 CRR II for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach[1]	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan[2]
		£m	£m	%	%	%
1	Central governments or central banks	**11,495**	**93,330**	**84**	**12**	**3**
1.1	– of which: Regional governments or local authorities		**308**	**—**	**53**	**48**
1.2	– of which: Public sector entities		**703**	**—**	**—**	**100**
2	Institutions	**2,735**	**4,055**	**33**	**67**	**—**
3	Corporates	**76,171**	**80,074**	**2**	**89**	**10**
3.1	– of which: Corporates – Specialised lending, excluding slotting approach		**1,300**	**—**	**100**	**—**
3.2	– of which: Corporates – Specialised lending under slotting approach		**7,454**	**—**	**100**	**—**
4	Retail	**175,892**	**157,606**	**—**	**99**	**1**
4.1	– of which: Retail – Secured by real estate SMEs		**1**	**—**	**100**	**—**
4.2	– of which: Retail – Secured by real estate non-SMEs		**136,468**	**—**	**100**	**—**
4.3	– of which: Retail – Qualifying revolving		**9,225**	**—**	**100**	**—**
4.4	– of which: Retail – Other SMEs		**3,980**	**—**	**87**	**13**
4.5	– of which: Retail – Other non-SMEs		**7,932**	**5**	**78**	**17**
5	Equity	**—**	**39**	**100**	**—**	**—**
6	Other non-credit obligation assets	**1,508**	**1,827**	**15**	**83**	**3**
7	**Total at 31 Dec 2024**	**267,801**	**336,931**	**24**	**72**	**4**
1	Central governments or central banks	8,230	97,020	90	8	2
1.1	– of which: Regional governments or local authorities		56	—	—	100
1.2	– of which: Public sector entities		726	—	—	100
2	Institutions	2,568	3,058	16	84	—
3	Corporates	71,022	75,582	1	89	10
3.1	– of which: Corporates – Specialised lending, excluding slotting approach		876	—	100	—
3.2	– of which: Corporates – Specialised lending under slotting approach		7,950	—	100	—
4	Retail	173,269	155,135	—	98	1
4.1	– of which: Retail – Secured by real estate SMEs		1	—	100	—
4.2	– of which: Retail – Secured by real estate non-SMEs		133,011	—	100	—
4.3	– of which: Retail – Qualifying revolving		9,014	—	100	—
4.4	– of which: Retail – Other SMEs		5,460	—	89	11
4.5	– of which: Retail – Other non-SMEs		7,649	6	80	14
5	Equity	—	47	100	—	—
6	Other non-credit obligation assets	1,488	1,833	16	81	3
7	Total at 31 Dec 2023	256,577	332,675	27	70	3

1 The key driver for difference in IRB exposure value is mainly due to the CCF applied to the off-balance sheet exposures.
2 Percentage of total exposure value subject to a roll-out plan, includes other SA exposures which are not subject to permanent partial use.

Standardised approach

Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

The standardised approach is applied where exposures do not qualify for use of an IRB approach and/or where an exemption from IRB has been granted. The standardised approach requires banks to use risk assessments prepared by external credit assessment institutions ('ECAIs') or Export Credit Agencies ('ECAs') to determine the risk weightings applied to rated counterparties.

ECAI risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- central governments and central banks;
- regional governments and local authorities;
- institutions;
- corporates;
- securitisation positions; and
- short-term claims on institutions and corporates.

We have nominated three ECAIs for this purpose – Moody's Investor Service ('Moody's'), Standard and Poor's rating agency ('S&P') and Fitch Ratings ('Fitch'). In addition to this, we use DBRS ratings specifically for securitisation positions. We have not nominated any ECAs.

Data files of external ratings from the nominated ECAIs are matched with customer records in our centralised credit database.

When calculating the risk-weighted value of an exposure using ECAI risk assessments, risk systems identify the customer in question and look up the available ratings in the central database according to the rating selection rules. The systems then apply the prescribed credit quality step mapping to derive from the rating the relevant risk weight.

All other exposure classes are assigned risk weightings as prescribed in the PRA's Rulebook.

Credit quality step	**Moody's assessment**	**S&P's assessment**	**Fitch's assessment**	**DBRS assessment**
1	Aaa to Aa3	AAA to AA–	AAA to AA–	AAA to AAL
2	A1 to A3	A+ to A–	A+ to A–	AH to AL
3	Baa1 to Baa3	BBB+ to BBB–	BBB+ to BBB–	BBBH to BBBL
4	Ba1 to Ba3	BB+ to BB–	BB+ to BB–	BBH to BBL
5	B1 to B3	B+ to B–	B+ to B–	BH to BL
6	Caa1 and below	CCC+ and below	CCC+ and below	CCCH and below

Exposures to, or guaranteed by, central governments and central banks of the UK and equivalent countries states are risk-weighted at 0% provided that they are denominated and funded in local currency or qualify for that weight by virtue of their external rating.

Table 30 provides further details of the risk weighting of our standardised non-counterparty credit exposures. For information about the risk weighting of our standardised counterparty credit risk exposures, refer to Table 41.

CQS Reference table

			Institutions (includes banks)		
			Sovereign method	Credit assessment method	
	Corporates	Central government or Central Banks	Sovereign method	Maturity > 3 months	Maturity 3 months or less
Credit Quality Step 1	20 %	0%	20 %	20 %	20 %
Credit Quality Step 2	50 %	20 %	50 %	50 %	20 %
Credit Quality Step 3	100 %	50 %	100 %	50 %	20 %
Credit Quality Step 4	100 %	100 %	100 %	100 %	50 %
Credit Quality Step 5	150 %	100 %	100 %	100 %	50 %
Credit Quality Step 6	150 %	150 %	150 %	150 %	150 %

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

Table 30: Standardised approach – exposures by asset classes and risk weights (CR5)

	Risk weight ('RW%')	0%	20%	35%	50%	75%	100%	150%	250%	Total credit exposure amount (post-CCF and CRM)	of which: unrated
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Asset classes										
1	Central governments or central banks	**82,715**	**—**	**—**	**—**	**—**	**—**	**—**	**229**	**82,944**	**—**
2	Regional governments or local authorities	**491**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**491**	**—**
4	Multilateral development banks	**1,520**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,520**	**—**
5	International organisations	**428**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**428**	**—**
6	Institutions	**—**	**767**	**—**	**547**	**—**	**28**	**—**	**—**	**1,342**	**31**
7	Corporates	**—**	**426**	**—**	**5**	**—**	**8,169**	**—**	**—**	**8,600**	**8,144**
8	Retail exposures	**—**	**—**	**—**	**—**	**2,114**	**—**	**—**	**—**	**2,114**	**2,114**
9	Secured by mortgages on immovable property	**—**	**—**	**143**	**—**	**—**	**—**	**—**	**—**	**143**	**143**
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**42**	**32**	**—**	**74**	**74**
15	Equity exposures	**—**	**—**	**—**	**—**	**—**	**40**	**—**	**—**	**40**	**40**
16	Other items	**—**	**272**	**—**	**—**	**—**	**47**	**—**	**—**	**319**	**319**
17	**Total at 31 Dec 2024**	**85,154**	**1,465**	**143**	**552**	**2,114**	**8,326**	**32**	**229**	**98,015**	**10,865**
	Asset classes										
1	Central governments or central banks	91,474	—	—	—	—	—	—	261	91,735	—
2	Regional governments or local authorities	594	—	—	—	—	—	—	—	594	—
4	Multilateral development banks	1,341	—	—	—	—	—	—	—	1,341	—
5	International organisations	366	—	—	—	—	—	—	—	366	—
6	Institutions	—	389	—	79	—	62	—	—	530	125
7	Corporates	—	58	—	—	—	8,305	—	—	8,363	8,305
8	Retail exposures	—	—	—	—	1,976	—	—	—	1,976	1,976
9	Secured by mortgages on immovable property	—	—	182	—	—	—	—	—	182	182
10	Exposures in default	—	—	—	—	—	13	92	—	104	104
15	Equity exposures	—	—	—	—	—	47	—	—	47	47
16	Other items	—	284	—	—	—	61	—	—	345	345
17	Total at 31 Dec 2023	93,775	731	182	79	1,976	8,488	92	261	105,583	11,084

Application of the IRB approach

Our IRB credit risk rating framework incorporates PD, EAD and LGD. These measures are used to calculate RWAs and EL. They are also used with other inputs to inform rating assessments for the purposes of credit approval and many other purposes meeting the requirements of the 'use test', for example:

– credit approval and monitoring: IRB models are used in the assessment of customer and portfolio risk in lending decisions;
– risk appetite: IRB measures are an important element in identifying risk exposure at customer, sector and portfolio level;
– pricing: IRB parameters are used in pricing tools for new transactions and reviews; and
– economic capital and portfolio management: IRB parameters are used in the economic capital model that has been implemented across HSBC.

Roll-out of the IRB approach

With the PRA's permission, we have adopted the advanced IRB approach for the majority of our retail business, while our wholesale business mainly uses the Foundation IRB approach. This is subject to the roll out of new models with the remainder treated as permanently exempt and covers non-significant business units and immaterial exposure classes.

EL and credit risk adjustments

We analyse credit loss experience in order to assess the performance of our risk measurement and control processes, and to inform our understanding of the implications for risk and capital management of dynamic changes occurring in the risk profile of our exposures.

When comparing regulatory EL with measures of ECL under IFRS 9, differences in the definition and scope of each are considered.

These can give rise to material differences in the way economic, business and methodological drivers are reflected quantitatively in the accounting and regulatory measures of loss.

In general, HSBC UK calculates ECL using three main components namely probability of default, loss given default, and exposure at default.

ECLs include impairment allowances (or provisions, against commitments and guarantees) calculated for a 12-month period ('12-month ECL'), for the remaining life of an exposure ('lifetime ECL'), and on financial assets that are considered to be in default or otherwise credit impaired. ECLs resulting from default events that are possible:

– within the next 12 months are recognised for financial instruments in stage 1; and
– beyond 12 months are recognised for financial instruments in stages 2 and 3.

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.

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.

Change in ECL and other credit impairment charges represents the movement in the ECL during the year including write-offs, recoveries and foreign exchange. EL represents the one-year regulatory expected loss accumulated in the book at the balance sheet date.

Credit risk adjustments encompass the impairment allowances or provisions balances, and changes in ECL and other credit impairment charges.

HSBC leverages the Basel IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as follows:

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). – Default backstop of 90+ days past due for all portfolios (includes UTP criteria in line with internal policy).	– Represents current portfolio quality and performance, adjusted for the impact of multiple forward-looking macro-economic scenarios – 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 – Future drawdown captured for revolving products
LGD	– Downturn LGD (consistent with losses we would expect to suffer during a severe but plausible economic downturn) – Regulatory floors may apply to mitigate risk of underestimating downturn LGD due to lack of historical data – Discounted using appropriate index (minimum 9%) – 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. – No floors applied, discounted using original effective interest rate – Only costs associated with selling collateral and certain third party collection costs are included
Other		– Discounted back from point of default to balance sheet date

Model performance

Model assessment is subject to global internal standards designed to support a comprehensive quantitative and qualitative process within a cycle of model monitoring and assessment that includes:

– investigation of model stability;
– measuring model performance by comparing the model's outputs against actual outcomes; and
– reviewing model use within the business, e.g. user input data quality, override activity and the assessment of results from key controls around the usage of the rating system as a whole within the overall credit process.

Models are monitored using a series of metrics and triggers approved by relevant parties. Model performance metrics, and material remedial actions in the event of a trigger breach, are reported at the corresponding Wholesale and Retail MOF's that are responsible for overseeing the models used within HSBC UK.

We also disclose model performance reports for our retail IRB models to the PRA, quarterly.

Wholesale risk

The wholesale risk rating system

This section describes how we operate our credit risk analytical models and use IRB metrics in the wholesale customer business.

PDs for wholesale customer segments (i.e. central governments and central banks, financial institutions and corporate customers) and for certain individually assessed personal customers are derived from a customer risk rating master scale of 23 grades. Of these, 21 are non-default grades representing varying degrees of strength of financial condition, and two are default grades. Each customer risk rating has a PD range associated with it as well as a mid-point PD.

The score generated by a credit risk rating model for the obligor is mapped to a master-scale customer risk rating and corresponding PD. Relationship managers may by exception, propose a different customer risk rating from that indicated through an override process which must be approved by the Credit function. Overrides for each model are recorded and monitored as part of the model management process. The customer risk rating is then reviewed by a credit approver who, taking into account information such as the most recent financial events and market data, makes the final decision on the rating. The rating assigned reflects the rating calculated by the model and the approver's overall view of the obligor's credit standing.

The mid-point PD associated with the approved customer risk rating is then used in the regulatory capital calculation.

The customer risk rating is assigned at an obligor level, which means that separate exposures to the same obligor are generally subject to a single, consistent rating. Exceptions may include where an exposure to a corporate or bank is capped to that of the Sovereign which may lead to different customer risk ratings for the same obligor. Unfunded credit risk mitigants, such as guarantees or parental support, may also influence the final assignment of a customer risk rating to an obligor.

If an obligor is in default on any material credit obligation to the group, all of the obligor's facilities are generally considered to be in default.

PD, LGD and EAD models all generally follow a Through the Cycle approach. LGD models are subject to a downturn adjustment. Obligor ratings are reviewed at least annually, or more frequently as necessary, to reflect changes in their circumstances and/or their economic operating environment.

Group policy allows approvers to downgrade customer risk ratings on expectations, but to upgrade them only on performance. This leads to expected defaults typically exceeding actual defaults.

For EAD and LGD estimation, operating entities are permitted, subject to overview by Risk and approval by the regulator and regulatory floors, to use their own internal models developed and calibrated to their portfolios and jurisdictions. Group Risk provides co-ordination, benchmarks, and promotion of best practice on EAD and LGD estimation. The Model Development Guide in conjunction with the Model Development Template ensures model developers follow a consistent approach to building compliant models. EAD is estimated to a 12-month forward time horizon and represents the current exposure, plus an estimate for future increases in exposure and the realisation of contingent exposures post-default.

LGD is expressed as a percentage of EAD and captures the effects of facility and collateral structure on receipts and recoveries post-default. This includes such factors as the type of client, the facility seniority, the type and value of collateral, past recovery experience and priority under law. Cashflows are adjusted to reflect the time value of money.

New IRB Repair guidelines were published by the EBA with effect from 1 January 2022 and were largely adopted into UK retained rules. These guidelines specified detailed requirements including the Margin of Conservatism classification framework, data representativeness, LGD in default and Expected Loss Best Estimate and model monitoring.

Legacy models were not designed to comply with these new requirements and a pipeline for model re-development and/or model demise is underway with future planned submissions agreed with the regulator. The impact on RWAs and Expected Loss relating to the non-compliance with the new regulations has been assessed and additional Post Model Adjustments ('PMAs') have been implemented. The PMAs were submitted to the regulator and are subject to regular review to ensure they remain appropriate given changes in economic conditions and the composition of the portfolios.

Wholesale models

To determine credit ratings for the different types of wholesale obligor, multiple models and scorecards are used for PD, LGD, and EAD. These models may be differentiated by customer segment and/or customer size. For example, we have separate PD models for all of our key customer segments, including sovereigns, financial institutions, and large, medium and small-sized corporates.

The two major drivers of model methodology are the nature of the portfolio and the availability of internal or external data on historical defaults and risk factors. For some historically low-default portfolios, such as sovereign and financial institutions, a model will rely more heavily on external data and/or the input of an expert panel. Where sufficient data is available, models are built on a statistical basis, although the input of expert judgement may still form an important part of the overall model development methodology.

Our approach to EAD and LGD also encompasses global models for central governments and central banks, and for institutions, as exposures to these customer types are managed centrally by Global Risk.

The PRA requires all firms to apply an LGD floor of 45% for senior unsecured exposure to sovereign entities. This floor was applied to reflect the relatively few loss observations across all firms in relation to these obligors. This floor is applied for the purposes of regulatory capital reporting.

In the same guidance, the PRA also indicated that it considers income-producing real estate to be an asset class that would be difficult to model. As a result, RWAs for our CRE portfolio are calculated using the supervisory slotting approach. Under the supervisory slotting approach the bank allocates exposures to one of five categories. Each category then receives a fixed pre-determined RWA and EL percentage.

Table 31 sets out the key characteristics of the significant wholesale credit risk models that drive the capital calculation split by regulatory wholesale asset class, with their associated RWAs, including the number of models for each component, the model method or approach and the number of years of loss data used.

HSBC UK uses the HSBC Group's global models for exposures to Sovereigns and Institutions. The number of defaults in these models relating to HSBC UK customers is immaterial. Information on the performance of these global models can be found in the HSBC Holdings plc Pillar 3 Disclosures at 31 December 2024 published at www.hsbc.com/investors.

Table 31: Wholesale IRB credit risk models

IRB exposure class	Portfolio	RWA £m	Component model	Number of material component models	Model description and methodology	Number of years loss data	Regulatory Floors
Corporates-Other	Large corporates	45,143	PD	1	A statistical model built on over 10 years of data. The model uses financial information, macroeconomic information and market-driven data, and is complemented by a qualitative assessment.	>10	PD floor of 0.03%
	UK corporates[1]		PD	3	Corporates that fall below the global large corporate threshold are rated through UK PD models, which reflect UK specific circumstances and cover mid-sized and small corporates. These models use financial information, behavioural data and qualitative information to derive a statistically built PD.	>10	PD floor of 0.03%

1 Excludes Corporates specialised lending exposures subject to supervisory slotting approach.

Table 32 below provides an overview of wholesale PD model performance for HSBC UK IRB exposures based upon data that represents an annual view as of 30 September each year. The table shows the estimated PD (including modelled and judgemental input) and actual default rate for the Corporate portfolio. The estimated PD for all Corporate PD models is calculated based on the total number of obligors covered by the models. The actuals are the observed default rate for the specified period.

The observed Corporate default rate has been below the estimate throughout the last three years. The estimated PD in 2023 had dropped 26 basis points in comparison to 2022 due to lesser judgmental downgrades. It was marginally increased in 2024 to reflect the high inflation rates in the economy. However, the default rates which were already high in 2023 due to post-Covid withdrawal of government support decreased in 2024, tending towards the normal default scenario for the portfolio. This has resulted in a more conservative prediction in the 2024 cycle.

Table 32: IRB PD models – estimated and actual values (wholesale)[1]

	2024		2023		2022	
	Estimated (%)	**Actuals (%)**	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)
Corporates	**1.65**	**1.35**	1.59	1.42	1.85	1.24

1 2022 data covers the combined UK ring fenced and non-ring fenced bank populations of the global large corporates model, all UK IRB models for large, medium and small corporates, and non-bank financial institutions; 2023 and 2024 reports only the UK ring fenced bank population.

The table below validate the reliability of PD calculations by comparing the PD used in IRB calculations with actual default experience.

Table 33: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio[1] (CR9)

	Number of obligors					
PD range	**End of previous year[2]**	**of which: number which defaulted in the year**	**Observed average default rate %**	**Exposures weighted average PD %**	**Average PD %**	**Average historic annual default rate %**
2024						
FIRB						
Corporates[3]						
0.00 to <0.15	**8,639**	**—**	**—**	**0.08**	**0.12**	**0.02**
– 0.00 to <0.10	**1,582**	**—**	**—**	**0.05**	**0.06**	**0.05**
– 0.10 to <0.15	**7,057**	**—**	**—**	**0.13**	**0.13**	**—**
0.15 to <0.25	**6,834**	**17**	**0.25**	**0.22**	**0.22**	**0.08**
0.25 to <0.50	**7,604**	**16**	**0.21**	**0.37**	**0.37**	**0.17**
0.50 to <0.75	**6,060**	**22**	**0.36**	**0.63**	**0.63**	**0.39**
0.75 to <2.50	**14,518**	**216**	**1.49**	**1.38**	**1.44**	**1.09**
– 0.75 to <1.75	**11,274**	**171**	**1.52**	**1.18**	**1.21**	**1.11**
– 1.75 to <2.5	**3,244**	**45**	**1.39**	**2.25**	**2.25**	**1.00**
2.5 to <10.00	**8,700**	**252**	**2.90**	**4.16**	**4.52**	**2.74**
– 2.5 to <5	**5,861**	**147**	**2.51**	**3.61**	**3.64**	**2.23**
– 5 to <10	**2,839**	**105**	**3.70**	**6.41**	**6.34**	**3.47**
10.00 to <100.00	**1,181**	**200**	**16.93**	**20.59**	**15.79**	**12.41**
– 10 to <20	**1,037**	**178**	**17.16**	**13.66**	**11.89**	**11.21**
– 30.00 to <100.00	**144**	**22**	**15.28**	**55.05**	**43.85**	**19.82**
100.00 (Default)	**—**	**NA**	**NA**	**NA**	**NA**	**NA**

Table 33: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio[1] (CR9) (continued)

PD range	Number of obligors: End of previous year	Number of obligors: of which: number which defaulted in the year	Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
2023						
FIRB						
Corporates						
0.00 to <0.15	7,789	3	0.04	0.09	0.11	0.07
– 0.00 to <0.10	1,804	—	—	0.06	0.06	0.02
– 0.10 to <0.15	5,985	3	0.05	0.13	0.13	0.08
0.15 to <0.25	7,574	33	0.44	0.22	0.22	0.18
0.25 to <0.50	6,751	54	0.80	0.37	0.37	0.38
0.50 to <0.75	5,257	45	0.86	0.63	0.63	0.85
0.75 to <2.50	14,762	209	1.42	1.44	1.44	1.08
– 0.75 to <1.75	11,673	136	1.17	1.21	1.23	0.94
– 1.75 to <2.5	3,089	73	2.36	2.25	2.25	1.59
2.5 to <10.00	6,950	200	2.88	4.37	4.33	3.83
– 2.5 to <5	5,249	124	2.36	3.61	3.60	2.43
– 5 to <10	1,701	76	4.47	6.53	6.60	7.93
10.00 to <100.00	1,090	170	15.60	12.77	18.26	15.46
– 10 to <20	951	146	15.35	12.04	12.47	13.80
– 30.00 to <100.00	139	24	17.27	44.19	57.88	28.44
100.00 (Default)	—	NA	NA	NA	NA	NA

1 Data represents an annual view as of 30 September 2024.
2 Back-testing is conducted on the basis of the opening count of obligors not in default in each year. Obligors who default during the year are excluded from the opening count for the following year.
3 Our Corporate model segments do not align to regulatory exposure class definitions so the information presented above includes exposures in both the Corporate-Other and Corporate-SME exposure classes.

Retail risk

Retail risk rating systems

The most material risk rating systems for which we disclose details of the modelling methodology and performance data represent RWAs of £24 bn which corresponds to 83% of the total retail IRB RWA.

The UK residential mortgage portfolios are now modelled under a Hybrid approach where the PD estimates represent a combination of recent and historic default rates observed over a mix of good and bad economic periods reflecting the longer-term nature of these loans.

Table 34: Retail IRB risk rating systems

Portfolio	Exposure class	RWA £m	Component model	Number of material component models	Model description and methodology	Number of years loss data[1]	Applicable Pillar 1 regulatory thresholds and overlays
UK residential mortgages	Retail – secured by mortgages on immovable property non-SME	15,183	PD	1	Statistical model built on internal behavioural data, credit bureau information and application data for new to bank customers. The model uses a hybrid approach where the PD estimates represent a combination of recent and historic default rates observed over a mix of good and bad economic periods reflecting the longer-term nature of these loans. The PD also includes a Margin of Conservatism in accordance with regulatory requirement. Properties are allocated to calibration segments based on mortgage type. PD risk grades are then assigned for each calibration segment based on a master score produced from internal behaviour and application score inputs.	> 10	PD floor of 0.03%
			LGD	1	Component based model incorporating; probability of repossession, charge-off and cure; and predicted shortfall. The model is segmented based on default status at observation. A downturn adjustment is applied to each component including a haircut adjustment to forced sale discount and a 25% reduction from peak house valuation. For LGD purposes the time lapse between default event and the closure of the exposure is between 48 months and 72 months	> 10	LGD floor of 5% at loan level and a LGD floor of 10% at portfolio level
			EAD	1	Logical calculation that uses the sum of the balance at observation for fixed term loans. A simple CCF method is applied for offset mortgages where there is a revolving facility available.	> 10	EAD must at least be equal to current balance
UK HSBC credit cards	Retail – qualifying revolving	3,432	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model that directly estimates EAD for different segments of the portfolio using either balance or limit as the key input.	7–10	EAD must at least be equal to current balance
UK HSBC personal loans	Retail – other non-SME	3,373	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long-run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	Statistical model based on forecasting the amount of expected future recoveries, segmented by default status. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	EAD is equal to current balance as this provides a conservative estimate.	7–10	EAD must at least be equal to current balance
UK business banking	Retail – other SME	2,350	PD	1	Statistical model built on internal behavioural data and bureau information. Underlying PIT model is calibrated to the latest observed PD. An adjustment is then applied to generate the long run PD based on historical observed misalignment of the underlying model.	7–10	PD floor of 0.03%
			LGD	1	The model estimates the amount of future recoveries and undrawn portion for unsecured products. For LGD purposes the time lapse between default event and the closure of the exposure is 36 months.	7–10	
			EAD	1	Statistical model using segmentation according to limit and utilisation and estimation of the undrawn exposure.	7–10	EAD must at least be equal to current balance

1 Defined as the number of years of historical data used in model development and estimation.

Retail credit models

We disclose information on our most material models. The actual and estimated values are derived from local model monitoring and calibration processes.

Our analytics teams adopt back-testing criteria specific to local conditions in order to assess the accuracy of their models.

In 2024, the observed default rates remained lower than PD estimates across retail exposure except for HSBC credit cards and Retail SME which are addressed by applying a post-model adjustment to the reported RWA; this adjustment is derived from a new generation of IRB models developed under the latest Basel 3.1 standards published by the PRA. The notable variance between the HSBC credit cards and the HSBC personal loans PD is primarily due to differences in the default definition, the HSBC personal loans is using 90 days past due while the HSBC credit cards is using 180 days past due criteria.

The table below provides an overview of Retail PD model performance for IRB exposures, it shows the estimated vs actuals movements across asset classes. The data represents an annual view as of 30 September 2024. The table shows pure modelled PD percentage and does not reflect adjustments for capital requirements.

Table 35: IRB PD models – estimated and actual values (Retail)

	2024		2023		2022	
	Estimated (%)	**Actuals (%)**	Estimated (%)	Actuals (%)	Estimated (%)	Actuals (%)
UK residential mortgage[1]	**0.60**	**0.23**	0.57	0.21	0.29	0.21
HSBC credit card[2]	**0.80**	**0.82**	0.75	0.79	0.77	0.82
HSBC personal loans	**2.54**	**2.07**	2.46	1.89	2.72	1.86
Business Banking (Retail SME)	**3.63**	**3.66**	4.09	4.02	4.27	3.84

1 The UK residential mortgages rating system approved by the PRA in April 2023 is reflected in this table, comparatives reflect the previous rating systems for HSBC and First Direct residential mortgages.

2 The HSBC credit card model is calibrated using a 180 days past due criteria, with post model adjustments in place to mitigate the risk of any capital shortfall to a 90 days past due criteria.

The table below provides an overview of credit risk model performance for retail IRB exposures, assessed by PD ranges. The data represents an annual view, analysed at 30 September 2024.

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9)[1,2]

	Number of obligors					
PD range	**End of previous year[2]**	**of which: number which defaulted in the year**	**Observed average default rate %**	**Exposures weighted average PD %**	**Average PD %**	**Average historic annual default rate %**
2024						
Retail – Secured by real estate non-SME						
0.00 to <0.15	**117,157**	**22**	**0.02**	**0.12**	**0.12**	**0.02**
– 0.00 to <0.10						
– 0.10 to <0.15	**117,157**	**22**	**0.02**	**0.12**	**0.12**	**0.02**
0.15 to <0.25	**94,101**	**28**	**0.03**	**0.18**	**0.18**	**0.02**
0.25 to <0.50	**417,364**	**224**	**0.05**	**0.31**	**0.31**	**0.05**
0.50 to <0.75	**167,572**	**188**	**0.11**	**0.51**	**0.51**	**0.13**
0.75 to <2.50	**163,160**	**518**	**0.32**	**0.99**	**1.02**	**0.35**
– 0.75 to <1.75	**146,887**	**349**	**0.24**	**0.91**	**0.91**	**0.29**
– 1.75 to <2.5	**16,273**	**169**	**1.04**	**1.97**	**2.00**	**0.83**
2.50 to <10.00	**14,674**	**336**	**2.29**	**4.14**	**4.29**	**2.15**
– 2.5 to <5	**12,942**	**247**	**1.91**	**3.78**	**3.83**	**1.76**
– 5 to <10	**1,732**	**89**	**5.14**	**7.79**	**7.74**	**5.20**
10.00 to <100.00	**3,983**	**937**	**23.52**	**33.08**	**28.13**	**20.31**
– 10 to <20	**2,307**	**182**	**7.89**	**14.58**	**14.21**	**7.30**
– 20 to <30	**125**	**7**	**5.60**	**23.42**	**23.98**	**6.58**
– 30.00 to <100.00	**1,551**	**748**	**48.23**	**48.52**	**49.16**	**43.99**
100.00 (Default)	**6,346**			**100.00**	**100.00**	
Retail – qualifying revolving						
0.00 to <0.15	**1,435,887**	**1,206**	**0.08**	**0.07**	**0.07**	**0.08**
– 0.00 to <0.10	**1,168,217**	**885**	**0.08**	**0.05**	**0.05**	**0.07**
– 0.10 to <0.15	**267,670**	**321**	**0.12**	**0.12**	**0.12**	**0.12**
0.15 to <0.25	**353,462**	**630**	**0.18**	**0.20**	**0.20**	**0.18**
0.25 to <0.50	**268,595**	**919**	**0.34**	**0.35**	**0.35**	**0.36**
0.50 to <0.75	**147,036**	**890**	**0.61**	**0.61**	**0.62**	**0.63**
0.75 to <2.50	**258,583**	**3,998**	**1.55**	**1.30**	**1.31**	**1.69**
– 0.75 to <1.75	**210,684**	**2,763**	**1.31**	**1.14**	**1.14**	**1.42**
– 1.75 to <2.5	**47,899**	**1,235**	**2.58**	**2.06**	**2.07**	**2.79**
2.50 to <10.00	**120,214**	**4,354**	**3.62**	**3.71**	**3.76**	**4.85**
– 2.5 to <5	**100,435**	**2,646**	**2.63**	**3.12**	**3.13**	**3.62**
– 5 to <10	**19,779**	**1,708**	**8.64**	**6.91**	**6.92**	**9.50**
10.00 to <100.00	**24,184**	**9,394**	**38.84**	**40.16**	**39.30**	**43.07**
– 10 to <20	**10,590**	**1,760**	**16.62**	**13.74**	**13.76**	**17.85**
– 20 to <30	**3,506**	**855**	**24.39**	**24.07**	**24.13**	**24.60**

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9)[1,2] (continued)

PD range	Number of obligors: End of previous year [2]	Number of obligors: of which: number which defaulted in the year	Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
– 30.00 to <100.00	**10,088**	**6,779**	**67.20**	**71.22**	**71.37**	**68.86**
100.00 (Default)	**7,576**			**100**	**100**	
Retail – other non-SME						
0.00 to <0.15	**4,761**	**7**	**0.15**	**0.14**	**0.14**	**0.17**
– 0.00 to <0.10	**54**	**—**	**—**	**—**	**0.09**	**0.32**
– 0.10 to <0.15	**4,707**	**7**	**0.15**	**0.14**	**0.14**	**0.17**
0.15 to <0.25	**106,396**	**201**	**0.19**	**0.18**	**0.18**	**0.20**
0.25 to <0.50	**93,712**	**415**	**0.44**	**0.39**	**0.39**	**0.44**
0.50 to <0.75	**7**	**—**	**—**	**—**	**0.61**	**0.49**
0.75 to <2.50	**207,209**	**2,163**	**1.04**	**1.34**	**1.35**	**1.08**
– 0.75 to <1.75	**163,512**	**1,348**	**0.82**	**1.15**	**1.15**	**0.87**
– 1.75 to <2.5	**43,697**	**815**	**1.87**	**2.09**	**2.10**	**1.82**
2.50 to <10.00	**65,818**	**2,605**	**3.96**	**4.61**	**4.76**	**4.07**
– 2.5 to <5	**42,139**	**1,343**	**3.19**	**3.46**	**3.49**	**3.22**
– 5 to <10	**23,679**	**1,262**	**5.33**	**6.96**	**7.02**	**5.56**
10.00 to <100.00	**14,749**	**4,788**	**32.46**	**41.63**	**40.95**	**29.76**
– 10 to <20	**6,470**	**746**	**11.53**	**13.58**	**13.68**	**11.46**
– 20 to <30	**1,463**	**307**	**20.98**	**24.36**	**24.34**	**18.88**
– 30.00 to <100.00	**6,816**	**3,735**	**54.80**	**71.64**	**70.40**	**50.86**
100.00 (Default)	**4,199**			**100**	**100**	
Retail – other SME						
0.00 to <0.15	**33,486**	**23**	**0.07**	**0.12**	**0.11**	**0.09**
– 0.00 to <0.10	**8,330**	**4**	**0.05**	**0.08**	**0.08**	**0.08**
– 0.10 to <0.15	**25,156**	**19**	**0.08**	**0.13**	**0.13**	**0.10**
0.15 to <0.25	**25,922**	**34**	**0.13**	**0.20**	**0.20**	**0.18**
0.25 to <0.50	**84,122**	**239**	**0.28**	**0.37**	**0.36**	**0.42**
0.50 to <0.75	**71,919**	**390**	**0.54**	**0.61**	**0.61**	**0.71**
0.75 to <2.50	**228,399**	**2,852**	**1.25**	**1.56**	**1.42**	**1.29**
– 0.75 to <1.75	**163,527**	**1,646**	**1.01**	**1.33**	**1.16**	**1.10**
– 1.75 to <2.5	**64,872**	**1,206**	**1.86**	**2.06**	**2.09**	**1.84**
2.50 to <10.00	**136,468**	**6,151**	**4.51**	**5.08**	**4.95**	**3.96**
– 2.5 to <5	**78,890**	**2,548**	**3.23**	**3.53**	**3.53**	**3.13**
– 5 to <10	**57,578**	**3,603**	**6.26**	**6.84**	**6.88**	**4.95**
10.00 to <100.00	**52,355**	**13,449**	**25.69**	**23.38**	**23.24**	**12.94**
– 10 to <20	**30,433**	**6,305**	**20.72**	**14.88**	**14.68**	**5.72**
– 20 to <30	**10,354**	**2,323**	**22.44**	**25.13**	**24.77**	**12.21**
– 30.00 to <100.00	**11,568**	**4,821**	**41.68**	**43.72**	**44.37**	**27.15**
100.00 (Default)	**16,920**			**100**	**100**	
2023						
Retail – Secured by real estate non-SME						
0.00 to <0.15	124,048	32	0.03	0.12	0.12	0.02
– 0.00 to <0.10						
– 0.10 to <0.15	124,048	32	0.03	0.12	0.12	0.02
0.15 to <0.25	105,533	29	0.03	0.18	0.18	0.03
0.25 to <0.50	424,535	262	0.06	0.31	0.3	0.05
0.50 to <0.75	159,875	194	0.12	0.51	0.51	0.12
0.75 to <2.50	146,911	512	0.35	0.99	1.02	0.33
– 0.75 to <1.75	131,554	371	0.28	0.91	0.9	0.28
– 1.75 to <2.5	15,357	141	0.92	1.98	2.01	0.68
2.50 to <10.00	14,975	353	2.36	4.13	4.26	2.02
– 2.5 to <5	13,219	264	2	3.74	3.8	1.63
– 5 to <10	1,756	89	5.07	7.87	7.76	5.24
10.00 to <100.00	4,202	825	19.63	31.84	27.08	18.51
– 10 to <20	2,489	171	6.87	14.13	14.06	6.75
– 20 to <30	122	12	9.84	23.84	23.87	6.69
– 30.00 to <100.00	1,591	642	40.35	47.17	47.69	41.19
100.00 (Default)	6,234					

Table 36: Retail IRB exposure – back-testing of probability of default ('PD') per portfolio (CR9)[1,2] (continued)

	Number of obligors					
PD range	End of previous year	of which: number which defaulted in the year	Observed average default rate %	Exposures weighted average PD %	Average PD %	Average historic annual default rate %
Retail – qualifying revolving						
0.00 to <0.15	1,417,034	1,231	0.09	0.07	0.07	0.08
– 0.00 to <0.10	1,161,193	918	0.08	0.05	0.05	0.07
– 0.10 to <0.15	255,841	313	0.12	0.12	0.12	0.12
0.15 to <0.25	317,952	534	0.17	0.2	0.2	0.17
0.25 to <0.50	247,051	838	0.34	0.35	0.35	0.35
0.50 to <0.75	132,835	814	0.61	0.61	0.62	0.61
0.75 to <2.50	226,548	3,489	1.54	1.29	1.31	1.65
– 0.75 to <1.75	184,382	2,448	1.33	1.13	1.14	1.38
– 1.75 to <2.5	42,166	1,041	2.47	2.06	2.07	2.71
2.50 to <10.00	82,057	3,660	4.46	3.88	3.93	5.08
– 2.5 to <5	65,888	2,105	3.19	3.19	3.2	3.85
– 5 to <10	16,169	1,555	9.62	6.89	6.9	9.38
10.00 to <100.00	21,540	8,716	40.46	43.02	41.94	43.16
– 10 to <20	8,714	1,557	17.87	13.77	13.75	17.84
– 20 to <30	3,146	733	23.3	24.06	24.08	24.93
– 30.00 to <100.00	9,680	6,426	66.38	72.97	73.13	68.38
100.00 (Default)	7,025					
Retail – other non-SME						
0.00 to <0.15	5,127	11	0.21	0.14	0.14	0.14
– 0.00 to <0.10	64	0	0	0.09	0.09	0.12
– 0.10 to <0.15	5,063	11	0.22	0.14	0.14	0.14
0.15 to <0.25	109,998	216	0.2	0.18	0.18	0.17
0.25 to <0.50	86,821	327	0.38	0.39	0.39	0.35
0.50 to <0.75	8	0	0	0.68	0.68	0.48
0.75 to <2.50	193,132	1,828	0.95	1.34	1.34	0.99
– 0.75 to <1.75	152,717	1,175	0.77	1.14	1.14	0.79
– 1.75 to <2.5	40,415	653	1.62	2.09	2.09	1.68
2.50 to <10.00	61,177	2,320	3.79	4.57	4.72	4.04
– 2.5 to <5	39,530	1,154	2.92	3.45	3.47	3.15
– 5 to <10	21,647	1,166	5.39	6.94	7.01	5.58
10.00 to <100.00	13,760	4,214	30.63	40.18	40.35	29.25
– 10 to <20	6,267	729	11.63	13.6	13.63	11.94
– 20 to <30	1,370	260	18.98	24.24	24.19	19.33
– 30.00 to <100.00	6,123	3,225	52.67	72.58	71.32	51.7
100.00 (Default)	4,936					
Retail – other SME						
0.00 to <0.15	34,673	51	0.15	0.11	0.11	0.08
– 0.00 to <0.10	13,713	20	0.15	0.08	0.08	0.07
– 0.10 to <0.15	20,960	31	0.15	0.13	0.13	0.09
0.15 to <0.25	28,059	39	0.14	0.2	0.2	0.16
0.25 to <0.50	92,428	314	0.34	0.39	0.37	0.42
0.50 to <0.75	63,171	341	0.54	0.63	0.63	0.69
0.75 to <2.50	234,661	2,810	1.2	1.6	1.43	1.31
– 0.75 to <1.75	168,623	1,584	0.94	1.35	1.16	1.1
– 1.75 to <2.5	66,038	1,226	1.86	2.08	2.11	1.91
2.50 to <10.00	144,257	6,578	4.56	5.17	5.11	4.14
– 2.5 to <5	81,950	2,592	3.16	3.68	3.68	3.25
– 5 to <10	62,307	3,986	6.4	6.92	6.98	5.24
10.00 to <100.00	70,349	22,863	32.5	26.38	25.24	14.17
– 10 to <20	37,403	10,432	27.89	15.02	14.59	7.08
– 20 to <30	14,304	3,316	23.18	24.72	24.28	13.43
– 30.00 to <100.00	18,642	9,115	48.89	48.29	47.35	30.11
100.00 (Default)	22,906					

1 Data represents an annual view, analysed at 30 September 2024.
2 Back-testing is conducted on the basis of the opening count of obligors not in default in each year. Obligors who default during the year are excluded from the opening count for the following year.

Credit risk

Additional tables

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

Table 37: Specialised lending and equity exposures under the simple risk-weight approach (CR10)

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	Remaining maturity	£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	**2,984**	**553**	**50**	**3,327**	**1,663**	**—**
	Equal to or more than 2.5 years	**1,098**	**139**	**70**	**1,189**	**833**	**5**
Category 2	Less than 2.5 years	**1,575**	**93**	**70**	**1,628**	**1,140**	**6**
	Equal to or more than 2.5 years	**637**	**92**	**90**	**705**	**634**	**5**
Category 3	Less than 2.5 years	**338**	**7**	**115**	**342**	**393**	**10**
	Equal to or more than 2.5 years	**56**	**2**	**115**	**57**	**65**	**2**
Category 4	Less than 2.5 years	**73**	**55**	**250**	**114**	**284**	**9**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**209**	**2**	**—**	**209**	**—**	**105**
	Equal to or more than 2.5 years	**50**	**10**	**—**	**58**	**—**	**29**
Total at 31 Dec 2024	Less than 2.5 years	**5,179**	**710**	**—**	**5,620**	**3,480**	**130**
	Equal to or more than 2.5 years	**1,841**	**243**	**—**	**2,009**	**1,532**	**41**
Category 1	Less than 2.5 years	3,198	574	50	3,571	1,735	—
	Equal to or more than 2.5 years	784	192	70	901	631	4
Category 2	Less than 2.5 years	2,224	116	70	2,306	1,539	9
	Equal to or more than 2.5 years	685	130	90	782	728	6
Category 3	Less than 2.5 years	179	16	115	190	203	5
	Equal to or more than 2.5 years	56	16	115	67	69	2
Category 4	Less than 2.5 years	96	62	250	96	238	8
	Equal to or more than 2.5 years	1	—	250	1	3	—
Category 5	Less than 2.5 years	211	—	—	212	—	106
	Equal to or more than 2.5 years	96	—	—	96	—	48
Total at 31 Dec 2023	Less than 2.5 years	5,908	768	—	6,375	3,715	128
	Equal to or more than 2.5 years	1,622	338	—	1,847	1,431	60

The table below discloses the detailed key parameters used for the calculation of capital requirements of credit risk exposure under the IRB approach, broken down by exposure class and PD range. The risk parameters within this table do not reflect the application of PMAs. The table excludes securitisation positions and non-credit obligation assets. The number of obligors disclose the single obligor with multiple PD ratings counted separately for every PD band. We count these on the basis of our exposure to the original counterparty, reported in the first two columns of this table. The disclosures across all PD ranges are modelled LGD. Deferred tax RWAs reported on IRB approach are not included in this table. Slotting exposures are disclosed in table 37, Specialised lending and equity exposures under the simple risk-weight approach (CR10).

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6)

PD scale	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD	Number of obligors[1]	Exposure weighted average LGD	Exposure weighted average maturity	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
AIRB – Central government and central banks												
0.00 to <0.15	**11,495**	**—**	**—**	**11,495**	**0.01**	**60**	**45.0**	**2.8**	**1,007**	**8.8**	**1**	**—**
– 0.00 to <0.10	**11,479**	**—**	**—**	**11,479**	**0.01**	**12**	**45.0**	**2.8**	**1,003**	**8.7**	**1**	**—**
– 0.10 to <0.15	**16**	**—**	**—**	**16**	**0.13**	**48**	**45.0**	**1.0**	**4**	**23.8**	**—**	**—**
Sub-total	**11,495**	**—**	**—**	**11,495**	**0.01**	**60**	**45.0**	**2.8**	**1,007**	**8.8**	**1**	**—**
AIRB – Institutions												
0.00 to <0.15	**2,679**	**122**	**45.0**	**2,557**	**0.05**	**395**	**22.0**	**2.1**	**279**	**10.9**	**—**	**2**
– 0.00 to <0.10	**2,228**	**20**	**89.0**	**2,069**	**0.03**	**299**	**20.2**	**2.1**	**175**	**8.5**	**—**	**—**
– 0.10 to <0.15	**451**	**102**	**37.0**	**488**	**0.13**	**96**	**29.8**	**2.0**	**104**	**21.4**	**—**	**2**
0.75 to <2.50	**—**	**1**	**52.0**	**1**	**0.88**	**33**	**45.0**	**1.3**	**1**	**114.5**	**—**	**—**
– 0.75 to <1.75	**—**	**1**	**51.0**	**1**	**0.87**	**33**	**45.0**	**1.3**	**1**	**114.5**	**—**	**—**
Sub-total	**2,679**	**123**	**46.0**	**2,558**	**0.05**	**428**	**22.0**	**2.1**	**280**	**11.0**	**—**	**2**

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[1]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Corporate – specialised lending (excluding slotting)												
0.00 to <0.15	—	17	57.0	10	0.13	1	18.0	1.3	1	8.1	—	—
– 0.10 to <0.15	—	17	57.0	10	0.13	1	18.0	1.3	1	8.1	—	—
0.15 to <0.25	243	93	57.0	297	0.22	4	26.2	3.8	85	28.6	—	1
0.25 to <0.50	151	86	58.0	201	0.37	6	28.6	3.8	84	41.8	—	—
0.50 to <0.75	307	59	68.0	282	0.63	13	28.6	4.1	183	65.0	1	1
0.75 to <2.50	197	233	74.0	369	1.14	6	33.8	4.8	363	98.3	1	1
– 0.75 to <1.75	163	225	74.0	329	1.00	4	33.5	4.8	318	96.7	1	1
– 1.75 to <2.5	34	8	71.0	40	2.25	2	35.7	4.7	45	111.6	—	—
2.50 to <10.00	90	10	75.0	96	5.75	1	53.5	5.0	235	242.3	4	8
– 5 to <10	90	10	75.0	96	5.75	1	53.5	5.0	235	242.3	4	8
Sub-total	**988**	**498**	**67.0**	**1,255**	**1.03**	**31**	**31.4**	**4.2**	**951**	**75.8**	**6**	**11**
AIRB – Corporate – SME												
0.15 to <0.25	2	1	97.0	3	0.22	2	47.9	1.5	1	34.0	—	—
Sub-total	**2**	**1**	**97.0**	**3**	**0.22**	**2**	**47.9**	**1.5**	**1**	**34.0**	**—**	**—**
AIRB – Corporate – Other												
0.00 to <0.15	327	488	2.0	335	0.06	106	30.1	3.1	77	23.0	—	—
– 0.00 to <0.10	242	477	—	242	0.04	84	29.8	3.3	46	19.0	—	—
– 0.10 to <0.15	85	11	65.0	93	0.13	22	31.1	2.7	31	33.3	—	—
0.15 to <0.25	314	10	51.0	332	0.22	31	14.6	1.8	42	12.8	—	—
0.25 to <0.50	127	39	1.0	127	0.34	64	9.9	1.4	12	9.7	—	—
0.50 to <0.75	63	22	4.0	64	0.62	58	25.2	1.9	26	40.9	—	—
0.75 to <2.50	316	248	59.0	347	1.56	5,509	16.0	1.8	143	40.9	1	1
– 0.75 to <1.75	227	220	56.0	278	1.40	4,788	10.2	1.5	62	22.0	—	—
– 1.75 to <2.5	89	28	84.0	69	2.23	721	39.7	2.8	81	118.1	1	1
2.50 to <10.00	40	32	79.0	65	4.03	1,337	20.1	1.1	40	62.6	1	4
– 2.5 to <5	39	30	81.0	63	3.93	1,224	19.3	1.1	37	59.3	1	4
– 5 to <10	1	2	55.0	2	7.90	113	48.1	1.3	3	190.9	—	—
10.00 to <100.00	29	24	—	29	85.30	65	14.3	1.0	6	20.6	2	—
– 10 to <20	5	—	23.0	4	10.48	55	41.8	1.2	6	126.3	—	—
– 30 to <100	24	24	—	25	98.66	10	9.4	1.0	—	1.5	2	—
100.00 (Default)	73	—	19.0	72	100.00	809	34.1	1.1	262	360.9	8	9
Sub-total	**1,289**	**863**	**22.0**	**1,371**	**7.78**	**7,979**	**20.1**	**2.0**	**608**	**44.3**	**12**	**14**
Wholesale AIRB – Total at 31 Dec 2024	**16,453**	**1,485**	**38.7**	**16,682**		**8,500**		**2.7**	**2,847**	**17.1**	**19**	**27**

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[1]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Secured by mortgages on immovable property SME												
2.50 to <10.00	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
– 2.5 to <5	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
Sub-total	1	—	10.0	1	37.51	25	64.5	—	2	217.4	—	—
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	12,565	5,671	76.0	16,876	0.11	119,743	13.9	—	842	5.0	4	1
– 0.00 to <0.10	27	2,547	100.0	2,575	0.05	20	19.5	—	207	8.0	1	—
– 0.10 to <0.15	12,538	3,124	56.0	14,301	0.12	119,723	12.9	—	635	4.4	3	1
0.15 to <0.25	11,735	1,496	48.0	12,457	0.18	95,935	12.6	—	681	5.5	3	1
0.25 to <0.50	55,831	1,625	38.0	56,451	0.31	424,172	13.8	—	4,704	8.3	25	11
0.50 to <0.75	24,400	219	69.0	24,579	0.51	174,588	14.8	—	3,098	12.6	19	11
0.75 to <2.50	26,475	253	73.0	26,798	1.02	172,771	13.9	—	5,002	18.7	39	26
– 0.75 to <1.75	24,330	180	87.0	24,616	0.93	156,487	13.8	—	4,341	17.6	33	21
– 1.75 to <2.5	2,145	73	39.0	2,182	1.98	16,284	14.5	—	661	30.3	6	5
2.50 to <10.00	1,414	272	32.0	1,506	4.15	14,846	14.7	—	700	46.5	9	5
– 2.5 to <5	1,286	230	34.0	1,369	3.79	13,186	14.8	—	615	44.9	7	4
– 5 to <10	128	42	22.0	137	7.77	1,660	14.5	—	85	62.0	2	1
10.00 to <100.00	326	25	44.0	339	33.45	3,335	9.1	—	170	50.2	11	4
– 10 to <20	130	22	37.0	138	14.13	1,833	8.5	—	65	46.9	2	1
– 20 to <30	5	—	—	5	23.63	109	7.0	—	2	42.0	—	—
– 30 to <100	191	3	99.0	196	47.25	1,393	9.5	—	103	52.7	9	3
100.00 (Default)	586	1	107.0	590	100.00	5,847	15.5	—	762	129.4	31	51
Sub-total	133,332	9,562	63.0	139,596	0.99	1,011,237	13.9	—	15,959	11.4	141	110
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	1,730	21,070	70.0	16,586	0.05	11,887,223	76.6	—	644	3.9	9	17
– 0.00 to <0.10	1,323	17,712	73.0	14,312	0.04	10,075,956	75.7	—	448	3.1	6	14
– 0.10 to <0.15	407	3,358	56.0	2,274	0.12	1,811,267	82.7	—	196	8.6	3	3
0.15 to <0.25	525	3,263	51.0	2,198	0.19	1,478,538	84.6	—	299	13.6	5	5
0.25 to <0.50	733	2,305	51.0	1,903	0.35	1,134,372	81.3	—	401	21.1	8	7
0.50 to <0.75	494	948	48.0	952	0.61	465,880	83.5	—	331	34.8	7	9
0.75 to <2.50	1,741	1,226	62.0	2,450	1.37	985,374	83.7	—	1,611	65.7	43	44
– 0.75 to <1.75	1,324	1,054	59.0	1,897	1.17	765,466	83.6	—	1,106	58.3	28	33
– 1.75 to <2.5	417	172	77.0	553	2.09	219,908	84.1	—	505	91.3	15	11
2.50 to <10.00	984	478	65.0	1,302	4.43	547,668	82.0	—	1,804	138.6	67	66
– 2.5 to <5	665	401	59.0	909	3.37	371,374	83.5	—	1,120	123.2	38	32
– 5 to <10	319	77	92.0	393	6.90	176,294	78.6	—	684	174.1	29	34
10.00 to <100.00	252	86	68.0	318	26.45	157,666	80.8	—	939	295.7	104	22
– 10 to <20	151	67	71.0	202	14.08	99,001	79.8	—	591	292.4	34	5
– 20 to <30	38	7	79.0	46	23.99	26,407	80.0	—	154	335.5	12	4
– 30 to <100	63	12	43.0	70	64.02	32,258	84.5	—	194	279.0	58	13
100.00 (Default)	75	11	26.0	77	100.00	136,898	81.5	—	129	167.8	35	80
Sub-total	6,534	29,387	66.0	25,786	1.08	16,793,619	78.9	—	6,158	23.9	278	250
AIRB – Other SME												
0.00 to <0.15	2	22	85.0	20	0.12	36,633	94.1	—	4	21.4	—	—
– 0.00 to <0.10	—	5	93.0	5	0.08	9,701	94.2	—	1	17.0	—	—
– 0.10 to <0.15	2	17	83.0	15	0.13	26,932	94.1	—	3	22.9	—	—
0.15 to <0.25	6	37	55.0	24	0.20	27,459	93.4	—	8	32.0	—	—
0.25 to <0.50	17	129	64.0	98	0.37	87,903	94.7	—	50	50.7	—	1
0.50 to <0.75	18	101	71.0	89	0.62	76,162	94.5	—	59	67.2	1	—
0.75 to <2.50	1,388	771	51.0	894	1.58	383,867	84.4	—	782	87.4	15	6
– 0.75 to <1.75	1,096	643	51.0	754	1.48	304,195	83.5	—	609	80.7	10	3
– 1.75 to <2.5	292	128	52.0	140	2.12	79,672	88.8	—	173	123.6	5	3
2.50 to <10.00	911	214	51.0	467	5.13	184,525	85.4	—	525	112.5	26	33

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[1]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
– 2.5 to <5	500	139	50.0	254	3.59	110,613	86.7	—	285	112.3	11	10
– 5 to <10	411	75	52.0	213	6.96	73,912	83.8	—	240	112.7	15	23
10.00 to <100.00	738	56	60.0	204	21.41	111,000	86.3	—	334	163.9	49	27
– 10 to <20	530	41	57.0	124	14.06	74,193	85.2	—	175	140.9	18	21
– 20 to <30	118	10	65.0	45	24.56	19,984	88.1	—	84	188.9	12	6
– 30 to <100	90	5	68.0	35	43.63	16,823	88.1	—	75	213.9	19	—
100.00 (Default)	381	6	46.0	36	100.00	11,003	63.7	—	34	93.6	32	61
Sub-total	**3,461**	**1,336**	**55.0**	**1,832**	**6.48**	**918,552**	**85.7**	**—**	**1,796**	**98.0**	**123**	**128**
AIRB – Other non-SME												
0.00 to <0.15	406	1,497	26.0	791	0.11	26,727	18.3	—	38	4.9	—	—
– 0.00 to <0.10	150	1,072	4.0	189	0.04	18,615	25.8	—	8	4.4	—	—
– 0.10 to <0.15	256	425	82.0	602	0.13	8,112	15.9	—	30	5.0	—	—
0.15 to <0.25	494	90	66.0	553	0.22	85,606	75.0	—	189	34.1	1	3
0.25 to <0.50	1,037	139	4.0	1,039	0.34	129,858	79.5	—	501	48.2	3	7
0.50 to <0.75	1,010	34	5.0	1,007	0.63	90,472	84.3	—	736	72.8	5	9
0.75 to <2.50	2,055	186	22.0	2,088	1.40	233,464	76.0	—	1,892	90.6	22	36
– 0.75 to <1.75	1,580	101	21.0	1,596	1.20	137,297	75.8	—	1,377	86.3	14	19
– 1.75 to <2.5	475	85	23.0	492	2.04	96,167	76.4	—	515	104.5	8	17
2.50 to <10.00	678	63	76.0	722	4.59	112,274	82.0	—	913	126.5	27	28
– 2.5 to <5	492	60	79.0	537	3.67	87,415	82.5	—	668	124.4	16	20
– 5 to <10	186	3	12.0	185	7.26	24,859	80.5	—	245	132.3	11	8
10.00 to <100.00	152	11	11.0	153	38.46	18,108	77.9	—	232	152.9	43	25
– 10 to <20	79	—	80.0	79	13.23	9,244	78.7	—	123	155.8	8	6
– 20 to <30	13	—	100.0	13	24.21	1,908	86.4	—	28	223.2	3	2
– 30 to <100	60	11	9.0	61	74.21	6,956	75.0	—	81	134.5	32	17
100.00 (Default)	37	2	85.0	39	100.00	4,258	79.5	—	71	183.9	25	24
Sub-total	**5,869**	**2,022**	**27.0**	**6,392**	**2.69**	**700,767**	**71.4**	**—**	**4,572**	**71.5**	**126**	**132**
Retail AIRB – Total at 31 Dec 2024	**149,197**	**42,307**	**62.9**	**173,607**		**19,424,200**		**—**	**28,487**	**16.4**	**668**	**620**
FIRB – Corporate – SME												
0.00 to <0.15	257	146	17.0	279	0.13	619	39.4	2.4	71	25.4	—	—
– 0.00 to <0.10	—	1	1.0	—	0.07	7	35.3	2.3	—	14.4	—	—
– 0.00 to <0.10	257	145	17.0	279	0.13	612	39.5	2.4	71	25.4	—	—
0.15 to <0.25	714	256	13.0	735	0.22	1,391	38.1	2.7	257	35.0	1	1
0.25 to <0.50	943	234	15.0	958	0.37	1,470	37.7	2.9	439	45.8	2	2
0.50 to <0.75	724	166	19.0	737	0.63	1,141	38.9	2.9	445	60.4	2	3
0.75 to <2.50	1,466	350	19.0	1,479	1.36	2,145	38.5	2.7	1,101	74.4	11	8
– 0.75 to <1.75	1,228	292	19.0	1,244	1.19	1,711	38.5	2.6	892	71.7	8	6
– 1.75 to <2.5	238	58	15.0	235	2.25	434	38.6	3.0	209	88.8	3	2
2.50 to <10.00	438	89	24.0	437	4.74	773	39.0	2.3	452	103.4	10	8
– 2.5 to <5	271	57	28.0	274	3.66	470	39.5	2.6	270	98.4	5	4
– 5 to <10	167	32	17.0	163	6.56	303	38.2	1.9	182	111.8	5	4
10.00 to <100.00	167	25	28.0	162	26.79	239	38.3	2.0	223	137.8	22	13
– 10 to <20	124	16	24.0	117	12.46	193	38.1	2.0	167	142.6	7	5
– 30 to <100	43	9	36.0	45	64.33	46	38.8	2.0	56	125.4	15	8
100.00 (Default)	303	17	29.0	284	100.00	292	39.3	2.0	—	—	112	60
Sub-total	**5,012**	**1,283**	**17.0**	**5,071**	**7.47**	**8,070**	**38.5**	**2.7**	**2,988**	**58.9**	**160**	**95**

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors[1]	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
FIRB – Corporate – Other												
0.00 to <0.15	**7,395**	**7,489**	**63.0**	**12,939**	**0.10**	**6,057**	**36.4**	**2.5**	**3,555**	**27.5**	**5**	**51**
– 0.00 to <0.10	**2,520**	**3,569**	**68.0**	**5,556**	**0.06**	**875**	**36.3**	**2.5**	**1,169**	**21.0**	**1**	**42**
– 0.10 to <0.15	**4,875**	**3,920**	**59.0**	**7,383**	**0.13**	**5,182**	**36.5**	**2.4**	**2,386**	**32.3**	**4**	**9**
0.15 to <0.25	**6,010**	**4,284**	**52.0**	**8,110**	**0.22**	**4,909**	**37.3**	**2.1**	**3,358**	**41.4**	**8**	**12**
0.25 to <0.50	**5,128**	**3,232**	**46.0**	**6,596**	**0.37**	**4,554**	**40.3**	**2.3**	**3,934**	**59.6**	**12**	**15**
0.50 to <0.75	**6,045**	**2,736**	**39.0**	**6,921**	**0.63**	**3,944**	**37.7**	**2.1**	**4,805**	**69.4**	**20**	**29**
0.75 to <2.50	**13,231**	**6,583**	**44.0**	**15,445**	**1.43**	**36,584**	**38.5**	**2.3**	**15,344**	**99.3**	**104**	**55**
– 0.75 to <1.75	**9,930**	**5,208**	**43.0**	**11,875**	**1.18**	**34,032**	**38.4**	**2.3**	**11,224**	**94.5**	**66**	**50**
– 1.75 to <2.5	**3,301**	**1,375**	**47.0**	**3,570**	**2.25**	**2,552**	**38.7**	**2.3**	**4,120**	**115.4**	**38**	**5**
2.50 to <10.00	**5,086**	**2,877**	**57.0**	**6,494**	**4.22**	**4,854**	**35.5**	**2.2**	**8,132**	**125.2**	**117**	**71**
– 2.5 to <5	**3,658**	**2,379**	**57.0**	**4,831**	**3.49**	**3,684**	**36.4**	**2.4**	**6,002**	**124.2**	**75**	**36**
– 5 to <10	**1,428**	**498**	**57.0**	**1,663**	**6.34**	**1,170**	**32.8**	**1.6**	**2,130**	**128.1**	**42**	**35**
10.00 to <100.00	**1,473**	**584**	**39.0**	**1,614**	**19.35**	**1,036**	**38.5**	**1.9**	**3,027**	**187.5**	**147**	**98**
– 10 to <20	**1,304**	**516**	**35.0**	**1,399**	**12.77**	**932**	**38.3**	**1.9**	**2,668**	**190.7**	**82**	**70**
– 30 to <100	**169**	**68**	**71.0**	**215**	**62.07**	**104**	**40.1**	**1.5**	**359**	**166.9**	**65**	**29**
100.00 (Default)	**1,603**	**373**	**61.0**	**1,757**	**100.00**	**1,469**	**40.2**	**1.7**	**—**	**—**	**705**	**335**
Sub-total	**45,971**	**28,158**	**52.0**	**59,876**	**4.45**	**63,407**	**37.7**	**2.2**	**42,155**	**70.4**	**1,118**	**665**
FIRB - Total at 31 Dec 2024	**50,983**	**29,441**	**50.0**	**64,947**		**71,477**		**2.3**	**45,143**	**69.5**	**1,278**	**760**
AIRB – Central government and central banks												
0.00 to <0.15	8,230	—	—	8,230	0.01	54	45.0	3.2	782	9.5	—	—
– 0.00 to <0.10	8,230	—	—	8,230	0.01	54	45.0	3.2	782	9.5	—	—
Sub-total	8,230	—	—	8,230	0.01	54	45.0	3.2	782	9.5	—	—
AIRB – Institutions												
0.00 to <0.15	2,386	161	72.0	2,327	0.05	401	23.1	2.5	295	12.7	—	2
– 0.00 to <0.10	2,011	102	84.0	1,921	0.03	293	19.8	2.7	188	9.8	—	—
– 0.10 to <0.15	375	59	51.0	406	0.13	108	38.6	1.5	107	26.4	—	2
0.15 to <0.25	66	—	—	66	0.22	5	12.5	2.8	14	21.0	—	—
Sub-total	2,452	161	72.0	2,393	0.06	406	22.8	2.5	309	12.9	—	2
AIRB – Corporate – specialised lending (excluding slotting)												
0.00 to <0.15	—	17	57.0	10	0.13	1	18.0	2.3	1	10.7	—	—
– 0.10 to <0.15	—	17	57.0	10	0.13	1	18.0	2.3	1	10.7	—	—
0.15 to <0.25	204	88	57.0	255	0.22	11	29.0	3.6	79	30.9	—	—
0.25 to <0.50	194	70	61.0	220	0.37	6	27.8	4.4	102	46.5	—	1
0.50 to <0.75	138	36	57.0	158	0.63	11	22.3	3.8	61	38.5	—	—
0.75 to <2.50	76	284	62.0	252	0.99	7	29.7	4.7	211	83.6	1	1
– 0.75 to <1.75	76	284	62.0	252	0.99	7	29.7	4.7	211	83.6	1	1
2.50 to <10.00	33	5	57.0	36	5.75	1	45.0	3.1	64	177.2	1	3
– 5 to <10	33	5	57.0	36	5.75	1	45.0	3.1	64	177.2	1	3
Sub-total	645	500	61.0	931	0.75	37	28.3	4.1	518	55.6	2	5

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity years	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
AIRB – Corporate – SME												
– 0.25 to <0.50	1	1	98.0	2	0.37	2	48.0	0.7	1	34.4	—	—
Sub-total	1	1	98.0	2	1.83	2	48.0	0.7	1	34.4	—	—
AIRB – Corporate – Other												
0.00 to <0.15	142	306	9.0	172	0.09	82	19.8	2.0	22	12.9	—	—
– 0.00 to <0.10	72	294	8.0	95	0.06	64	23.1	1.8	11	11.7	—	—
– 0.10 to <0.15	70	12	45.0	77	0.13	18	15.6	2.4	11	14.4	—	—
0.15 to <0.25	161	66	4.0	163	0.22	41	27.1	2.4	56	34.1	—	—
0.25 to <0.50	186	58	1.0	125	0.34	66	14.5	1.5	19	14.9	—	4
0.50 to <0.75	118	32	3.0	120	0.60	94	15.0	1.9	28	23.1	—	—
0.75 to <2.50	247	97	47.0	213	1.31	5,714	21.9	2.2	126	59.0	1	1
– 0.75 to <1.75	234	95	48.0	200	1.25	5,351	22.4	2.2	121	60.6	1	1
– 1.75 to <2.5	13	2	6.0	13	2.17	363	13.4	1.4	5	34.8	—	—
2.50 to <10.00	97	103	2.0	98	4.16	1,494	31.5	1.4	92	93.7	1	1
– 2 .5 to <5	97	103	2.0	98	4.16	1,494	31.5	1.4	92	93.7	1	1
10.00 to <100.00	24	10	1.0	23	89.77	106	20.0	1.1	7	31.7	3	—
– 30 to <100	24	10	1.0	23	89.77	106	20.0	1.1	7	31.7	3	—
100.00 (Default)	78	21	13.0	81	100.00	773	22.6	1.1	158	196.1	8	7
Sub-total	1,053	693	12.0	995	11.05	8,370	21.6	1.9	508	51.0	13	13
Wholesale AIRB – Total at 31 Dec 2023	12,381	1,355	37.1	12,551		8,869		3.0	2,118	16.8	15	20
AIRB – Secured by mortgages on immovable property SME												
2.50 to <10.00	1	—	—	1	4.80	18	86.7	—	2	226.0	—	—
– 2.5 to <5	1	—	—	1	4.80	18	86.7	—	2	226.0	—	—
Sub-total	1	—	—	1	4.80	18	86.7	—	2	226.0	—	—
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	12,321	6,016	74.0	16,759	0.11	116,910	13.5	—	830	5.0	4	2
– 0.00 to <0.10	120	2,779	100.0	2,888	0.05	39	19.5	—	229	7.9	1	—
– 0.10 to <0.15	12,201	3,237	52.0	13,871	0.12	116,871	12.3	—	601	4.3	3	2
0.15 to <0.25	11,878	1,635	48.0	12,669	0.18	90,793	12.6	—	693	5.5	3	2
0.25 to <0.50	53,984	1,686	35.0	54,573	0.31	414,000	13.5	—	4,378	8.0	23	16
0.50 to <0.75	23,579	230	74.0	23,772	0.51	169,637	14.3	—	2,875	12.1	19	16
0.75 to <2.50	25,698	601	78.0	26,269	1.00	176,613	13.6	—	4,663	17.8	36	46
– 0.75 to <1.75	23,751	517	84.0	24,282	0.92	155,336	13.6	—	4,120	17.0	31	36
– 1.75 to <2.5	1,947	84	40.0	1,987	1.98	21,277	13.4	—	543	27.4	5	10
2.50 to <10.00	1,243	237	23.0	1,302	4.18	21,046	12.7	—	515	39.6	7	12
– 2.5 to <5	1,124	200	23.0	1,174	3.79	12,733	12.6	—	441	37.5	6	10
– 5 to <10	119	37	24.0	128	7.74	8,313	13.6	—	74	58.1	1	2
10.00 to <100.00	320	35	22.0	331	31.04	7,306	8.9	—	158	47.8	9	6
– 10 to <20	160	31	15.0	166	14.09	3,463	8.9	—	81	48.8	2	2
– 20 to <30	6	—	—	6	23.18	2,286	9.6	—	3	50.1	—	—
– 30 to <100	154	4	83.0	159	48.93	1,557	8.9	—	74	46.6	7	4
100.00 (Default)	616	11	30.0	619	100.00	6,343	15.2	—	776	125.4	33	113
Sub-total	129,639	10,451	62.0	136,294	1.01	1,002,648	13.6	—	14,888	10.9	134	213
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	1,938	21,606	65.0	15,892	0.05	10,682,180	76.8	—	700	4.4	10	29
– 0.00 to <0.10	1,575	19,344	65.0	14,190	0.04	9,441,131	76.3	—	537	3.8	7	24
– 0.10 to <0.15	363	2,262	59.0	1,702	0.12	1,241,049	80.9	—	163	9.6	3	5
0.15 to <0.25	499	2,858	62.0	2,286	0.19	1,693,335	83.3	—	341	14.9	6	8

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet expo-sures £m	Off-balance-sheet expos-ures pre-CCF £m	Expo-sure weight-ed average CCF %	Expo-sure post-CCF and post-CRM £m	Exposure weighted average PD %	Number of obligors	Expo-sure weight-ed average LGD %	Expo-sure weight-ed average maturity years	Risk weighted exposure amount after support-ing factors £m	Density of risk weight-ed expo-sure amount %	Expect-ed loss amount £m	Value adjust-ments and provi-sions £m
0.25 to <0.50	766	2,080	63.0	2,072	0.35	1,408,956	81.3	—	484	23.4	10	12
0.50 to <0.75	665	852	57.0	1,102	0.61	543,013	82.8	—	428	38.8	10	18
0.75 to <2.50	1,499	993	83.0	2,343	1.34	1,220,023	83.2	—	1,678	71.6	46	90
– 0.75 to <1.75	1,179	854	78.0	1,857	1.15	932,628	83.6	—	1,217	65.5	32	70
– 1.75 to <2.5	320	139	115.0	486	2.07	287,395	81.9	—	461	95.0	14	20
2.50 to <10.00	761	429	79.0	1,118	4.45	625,211	80.2	—	1,597	142.9	60	72
– 2.5 to <5	502	357	71.0	769	3.32	422,623	81.9	—	999	130.1	34	40
– 5 to <10	259	72	116.0	349	6.94	202,588	76.5	—	598	171.1	26	32
10.00 to <100.00	230	77	77.0	299	27.65	175,613	79.5	—	864	289.1	110	51
– 10 to <20	133	58	83.0	186	13.92	107,544	78.4	—	535	287.6	31	23
– 20 to <30	32	7	95.0	41	24.00	29,168	77.7	—	133	328.1	11	—
– 30 to <100	65	12	42.0	72	64.99	38,901	83.3	—	196	271.0	68	28
100.00 (Default)	86	14	36.0	90	100.00	190,453	81.6	—	157	174.1	44	39
Sub-total	6,444	28,909	65.0	25,202	1.11	16,538,784	78.8	—	6,249	24.8	296	319
AIRB – Other SME												
0.00 to <0.15	2	21	89.0	21	0.11	39,221	94.0	—	4	20.1	—	46
– 0.00 to <0.10	1	8	97.0	8	0.08	16,408	94.2	—	1	16.8	—	46
– 0.10 to <0.15	1	13	85.0	13	0.13	22,813	93.9	—	3	22.1	—	—
0.15 to <0.25	6	45	61.0	32	0.20	43,393	93.7	—	10	32.1	—	—
0.25 to <0.50	16	131	63.0	97	0.38	94,676	94.6	—	50	51.7	—	—
0.50 to <0.75	14	89	72.0	77	0.62	73,769	94.4	—	52	67.4	1	—
0.75 to <2.50	1,762	795	51.0	882	1.57	412,944	84.4	—	773	87.7	14	9
– 0.75 to <1.75	1,397	656	51.0	746	1.48	323,787	83.5	—	599	80.4	10	6
– 1.75 to <2.5	365	139	53.0	136	2.09	89,157	89.3	—	174	127.7	4	3
2.50 to <10.00	1,170	234	51.0	465	5.10	207,135	85.4	—	519	111.5	25	12
– 2.5 to <5	653	152	49.0	262	3.67	120,037	85.4	—	286	109.4	11	5
– 5 to <10	517	82	53.0	203	6.94	87,098	85.4	—	233	114.2	14	7
10.00 to <100.00	1,100	69	62.0	242	23.19	140,011	85.4	—	391	161.7	61	37
– 10 to <20	727	43	59.0	140	13.71	81,064	83.2	—	189	135.5	18	16
– 20 to <30	170	15	61.0	50	24.76	26,263	87.9	—	93	187.8	13	1
– 30 to <100	203	11	74.0	52	46.93	32,684	88.8	—	109	207.0	30	20
100.00 (Default)	787	8	51.0	49	100.00	16,124	65.4	—	41	84.7	41	30
Sub-total	4,857	1,392	55.0	1,865	7.70	1,027,273	85.5	—	1,840	98.8	142	134
AIRB – Other non-SME												
0.00 to <0.15	339	1,278	33.0	755	0.11	26,696	20.4	—	42	5.5	—	2
– 0.00 to <0.10	97	707	5.0	133	0.05	18,748	36.9	—	9	6.3	—	1
– 0.10 to <0.15	242	571	67.0	622	0.13	7,948	16.9	—	33	5.4	—	1
0.15 to <0.25	583	64	75.0	630	0.22	107,028	83.1	—	236	37.4	1	2
0.25 to <0.50	1,228	143	4.0	1,229	0.39	109,897	79.0	—	639	52.0	4	7
0.50 to <0.75	422	56	4.0	423	0.57	34,558	75.4	—	259	61.4	2	5
0.75 to <2.50	2,281	177	25.0	2,315	1.40	251,114	79.6	—	2,190	94.6	25	13
– 1.75 to <2.5	1,799	73	10.0	1,799	1.20	179,044	79.6	—	1,627	90.4	17	10
– 0.75 to <1.75	482	104	35.0	516	2.06	72,070	79.5	—	563	109.1	8	3
2.50 to <10.00	677	34	33.0	685	4.58	118,726	83.4	—	882	128.9	26	22
– 2.5 to <5	472	34	33.0	481	3.54	88,585	82.1	—	593	123.4	14	6
– 5 to <10	205	—	78.0	204	7.01	30,141	86.5	—	289	141.7	12	16
10.00 to <100.00	159	26	2.0	158	41.01	20,092	77.0	—	236	149.7	47	51
– 10 to <20	69	—	90.0	68	13.73	10,008	84.6	—	117	168.9	8	15
– 20 to <30	17	—	33.0	17	24.11	2,221	78.7	—	32	199.2	3	4
– 30 to <100	73	26	1.0	73	70.54	7,863	69.5	—	87	120.2	36	32
100.00 (Default)	46	2	8.0	47	100.00	4,953	81.7	—	139	298.4	27	31
Sub-total	5,735	1,780	30.0	6,242	2.95	673,064	72.7	—	4,623	74.1	132	133
Retail AIRB – Total at 31 Dec 2023	146,676	42,532	62.44	169,604		19,241,787		—	27,602	16.3	704	799

Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	On-balance sheet expo-sures	Off-balance-sheet expo-sures pre-CCF	Expo-sure weight-ed average CCF	Expo-sure post-CCF and post-CRM	Expo-sure weight-ed average PD	Numb-er of obligors	Expo-sure weight-ed average LGD	Expo-sure weight-ed average maturity	Risk weighted exposure amount after support-ing factors	Density of risk weight-ed expo-sure amount	Expect-ed loss amount	Value adjust-ments and provi-sions
	£m	£m	%	£m	%		%	years	£m	%	£m	£m
FIRB – Corporate – SME												
0.00 to <0.15	334	178	18.0	361	0.13	648	39.5	2.6	92	25.4	—	—
– 0.00 to <0.10	1	—	—	1	0.07	9	45.0	1.4	—	14.5	—	—
– 0.10 to <0.15	333	178	18.0	360	0.13	639	39.5	2.6	92	25.5	—	—
0.15 to <0.25	873	330	15.0	898	0.22	1,597	37.4	2.9	305	34.0	1	2
0.25 to <0.50	1,157	334	13.0	1,163	0.37	1,750	37.6	2.9	506	43.6	2	5
0.50 to <0.75	885	194	15.0	875	0.63	1,304	38.4	2.5	473	54.0	3	4
0.75 to <2.50	1,732	394	20.0	1,718	1.31	2,517	38.1	2.7	1,203	70.0	12	13
– 0.75 to <1.75	1,490	333	21.0	1,492	1.16	2,078	38.1	2.7	1,016	68.1	9	10
– 1.75 to <2.5	242	61	12.0	226	2.25	439	38.1	2.8	187	83.1	3	3
2.50 to <10.00	634	111	19.0	594	4.69	925	39.0	2.4	600	100.9	15	17
– 5 to <10	366	78	22.0	354	3.50	591	38.9	2.5	327	92.4	7	7
– 2.5 to <5	268	33	12.0	240	6.46	334	39.2	2.3	273	113.5	8	10
10.00 to <100.00	206	23	29.0	191	21.62	244	39.7	1.8	275	144.2	23	11
– 10 to <20	165	19	24.0	150	12.87	210	39.5	1.8	215	143.9	10	8
– 30 to <100	41	4	56.0	41	53.52	34	40.3	1.7	60	145.3	13	3
100.00 (Default)	385	16	10.0	355	100.00	327	38.9	2.2	—	—	138	49
Sub-total	6,206	1,580	16.0	6,155	7.45	9,312	38.2	2.6	3,454	56.1	194	101
FIRB – Corporate – Other												
0.00 to <0.15	6,015	6,130	63.0	10,622	0.10	5,543	37.7	2.5	2,970	28.0	4	6
– 0.00 to <0.10	2,991	2,915	67.0	5,384	0.06	801	35.0	2.3	1,051	19.5	1	1
– 0.10 to <0.15	3,024	3,215	59.0	5,238	0.13	4,742	40.5	2.7	1,919	36.6	3	5
0.15 to <0.25	5,764	4,066	49.0	7,528	0.22	4,176	35.7	2.0	2,916	38.7	7	10
0.25 to <0.50	5,100	2,874	41.0	6,383	0.37	4,625	38.4	2.1	3,484	54.6	11	22
0.50 to <0.75	4,798	2,328	39.0	5,733	0.63	3,586	38.7	1.9	3,875	67.6	17	23
0.75 to <2.50	12,902	6,127	39.0	14,391	1.45	33,679	37.6	2.1	13,204	91.8	95	87
– 0.75 to <1.75	9,653	4,775	38.0	10,911	1.19	31,123	37.6	2.0	9,396	86.1	59	57
– 1.75 to <2.5	3,249	1,352	45.0	3,480	2.25	2,556	37.5	2.3	3,808	109.4	36	30
2.50 to <10.00	4,868	2,482	51.0	5,875	4.22	4,644	35.3	2.1	7,092	120.7	105	113
– 2.5 to <5	3,670	2,109	51.0	4,572	3.56	3,560	35.5	2.2	5,325	116.5	70	71
– 5 to <10	1,198	373	50.0	1,303	6.52	1,084	34.7	1.7	1,767	135.6	35	42
10.00 to <100.00	1,530	298	41.0	1,586	14.67	868	38.2	1.6	3,039	191.6	107	80
– 10 to <20	1,363	216	51.0	1,412	11.84	761	38.8	1.7	2,703	191.4	80	72
– 30 to <100	167	82	15.0	174	37.65	107	33.6	1.0	336	193.1	27	8
100.00 (Default)	1,316	279	52.0	1,339	100.00	1,500	41.9	1.8	—	—	561	375
Sub-total	42,293	24,584	49.0	53,457	3.96	58,621	37.4	2.1	36,580	68.4	907	716
FIRB – Total at 31 Dec 2023	48,499	26,164	47.0	59,612		67,933		2.2	40,034	67.2	1,101	817

1 Single obligor with multiple ratings/PD are counted separately for every PD band. We count the number of obligors on the basis of our exposure to the original counterparty (reported in the first two columns of this table). Where exposure is subject to risk-transfer to another party, to avoid duplication, we do not count the exposure again after risk transfer.

Counterparty credit risk

Counterparty credit risk management

Counterparty credit risk ('CCR') is the risk that a counterparty may default before completing the satisfactory settlement of the transaction. It arises on derivatives, securities financing transactions and exposures to central counterparties ('CCPs') in both the trading and non trading books.

Limits for CCR exposures, including to central counterparties, are assigned within the overall credit risk management process. The credit risk function assigns a limit against each counterparty to cover exposure which may arise as a result of a counterparty default.

Banks are permitted to apply the following methods to determine exposure values for CCR:

- the Internal Model Method ('IMM');
- the Standardised Approach (SA-CCR) – for derivatives and long settlement transactions;
- the simple/comprehensive approach to recognition of collateral with SFTs; and
- the Value at Risk models approach, applicable for SFTs.

HSBC UK uses the standardised approach to determine CCR exposures. Under the SA-CCR approach, the EAD is calculated as the sum of Replacement Cost and PFE multiplied by an alpha factor of 1.4.

The table below analyses CCR exposures by approach for derivatives and securities financing transactions, excluding the CVA charge, failed settlements, free deliveries and exposures to CCPs. EAD pre-CRM is calculated post netting and the application of collateral benefits.

Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1)

		Replacement cost	Potential future exposure	Effective expected positive exposure[1]	Alpha used for computing regulatory exposure value	EAD pre-CRM	EAD post-CRM	Exposure Value	RWAs
		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	**28**	**174**	**—**	**1.40**	**283**	**283**	**283**	**87**
4	Financial collateral comprehensive method (for SFTs)					**254**	**255**	**255**	**25**
6	**Total at 31 Dec 2024**					**537**	**538**	**538**	**112**
1	SA-CCR (for derivatives)	46	87	—	1.40	187	187	187	94
4	Financial collateral comprehensive method (for SFTs)					122	122	122	16
6	Total at 31 Dec 2023					309	309	309	110

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

Credit valuation adjustment

CVA represent the risk of mark-to-market losses on the expected counterparty risk to over-the-counter ('OTC') derivatives and SFTs that are subject to fair-value accounting.

HSBC UK applies the standardised approach for CVA. Certain qualifying central counterparties are exempt from CVA.

The table below sets out exposures and RWAs related to CVA regulatory calculations with the breakdown by standardised and advanced approaches.

Table 40: Credit valuation adjustment capital charge (CCR2)

		At 31 Dec 2024		At 31 Dec 2023	
		Exposure value	RWAs	Exposure value	RWAs
		£m	£m	£m	£m
4	Transactions subject to the Standardised method	**174**	**38**	69	21
5	**Total transactions subject to own funds requirements for CVA risk**	**174**	**38**	69	21

Further detail on the standardised approach is provided on page 37.

The table below presents information on the risk weighting of CCR exposures under the standardised approach by regulatory portfolio. It excludes the failed settlements, free deliveries, default fund contributions, CVA charge and CCPs.

Table 41: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3)

	Risk weight	0% £m	2% £m	4% £m	10% £m	20% £m	50% £m	70% £m	75% £m	100% £m	150% £m	Others £m	Total exposure value £m
6	Institutions					**68**	**11**						**79**
	Total at 31 Dec 2024					**68**	**11**						**79**
6	Institutions					35	15						50
	Total at 31 Dec 2023					35	15						50

Collateral arrangements

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

Collateral types are controlled under a policy to help ensure price transparency, price stability, liquidity, enforceability,independence, reusability and eligibility for regulatory purposes.

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

Further information on gross fair value exposure and the offset due to legally enforceable netting and collateral is set out on page 127 of the Annual Report and Accounts 2024.

Table 36 below analyses collateral used in derivatives and SFT transactions.

Table 42: Composition of collateral for CCR exposure (CCR5)

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated £m	Unsegregated £m	Segregated £m	Unsegregated £m	£m	£m
1	Cash	**—**	**247**	**—**	**819**	**—**	**—**
2	Debt	**12**	**—**	**2,244**	**—**	**15,979**	**5,590**
5	**Total at 31 Dec 2024**	**12**	**247**	**2,244**	**819**	**15,979**	**5,590**
1	Cash	—	132	—	440	—	—
2	Debt	—	1	1,673	1,095	10,941	9,126
5	Total at 31 Dec 2023	—	133	1,673	1,535	10,941	9,126

Central counterparties

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

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

The table below provides the exposures and RWAs breakdown related to CCPs.

Table 43: Exposures to central counterparties (CCR8)

		At			
		31 Dec 2024		31 Dec 2023	
		Exposure value £m	RWAs £m	EAD post-CRM £m	RWAs £m
1	**Exposures to qualifying central counterparties ('QCCPs') (total)**		**93**		105
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	**1,826**	**37**	2,847	57
3	– OTC derivatives	**615**	**12**	1,546	31
5	– securities financing transactions	**1,211**	**24**	1,301	26
7	Segregated initial margin	**2,180**		1,673	
8	Non-segregated initial margin	**—**	**—**	394	8
9	Pre-funded default fund contributions[1]	**135**	**57**	—	41
10	Unfunded default fund contributions[1]	**406**	**—**		—

1 Disclosures have been enhanced to reflect the exposure value for pre-funded and unfunded default fund contributions. At 31 December 2023, Prefunded and Unfunded default fund contributions exposures to QCCPs were £89mn and £267mn respectively.

Wrong-way risk

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

There are two types of wrong-way risk:

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

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

Credit rating downgrade

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

HSBC UK has no such clauses.

The table below shows the detailed key parameters used for the calculation of capital requirements of counterparty credit risk exposure under the IRB approach broken down by exposure class and PD range.

Table 44: IRB - CCR exposures by portfolio and PD scale (CCR4)

	Exposure value	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity	RWAs	Density of risk weighted exposure amounts
PD scale	**£m**	**%**		**%**	**years**	**£m**	**%**
AIRB – Institutions							
PD scale							
0.00 to <0.15	498	0.05	21	45.0	0.56	64	13
0.15 to <0.25							
0.25 to <0.50							
0.50 to <0.75	—	0.63	1	45.0	1.00	—	62
0.75 to <2.50	—	—	—	—	—	—	—
Sub-total	498	0.05	22	45.0	0.56	64	13
FIRB – Corporates							
0.00 to <0.15	12	0.13	105	45.0	1.04	3	27
0.15 to <0.25	16	0.22	152	45.0	1.02	6	38
0.25 to <0.50	10	0.37	115	45.0	1.01	5	53
0.50 to <0.75	10	0.63	79	45.0	1.03	7	70
0.75 to <2.50	25	1.36	190	45.0	1.00	23	93
2.50 to <10.00	5	4.16	40	45.0	1.00	7	140
10.00 to <100.00	—	21.09	11	45.0	1.00	1	219
100.00 (Default)	—	100.00	12	45.0	1.00	—	—
FIRB – Total at 31 Dec 2024	78	1.25	704	45.0	1.02	52	67
Total (all portfolio) at 31 Dec 2024	576	0.21	726	45.0	0.63	117	20
PD scale							
AIRB – Institutions							
0.00 to <0.15	171	0.06	14	45.0	0.88	29	17
0.15 to <0.25							
0.25 to <0.50	3	0.37	2	45.0	2.53	3	87
0.50 to <0.75	—	0.63	1	45.0	1.00	—	62
0.75 to <2.50	—	0.87	1	45.0	1.00	—	83
Sub-total	174	0.07	18	45.0	0.91	32	19
FIRB – Corporates							
0.00 to <0.15	9	0.13	81	45.0	1.01	2	27
0.15 to <0.25	14	0.22	142	45.0	1.01	5	38
0.25 to <0.50	14	0.37	138	45.0	1.02	7	53
0.50 to <0.75	9	0.63	93	45.0	1.00	6	70
0.75 to <2.50	34	1.53	230	45.0	1.03	33	98
2.50 to <10.00	4	4.95	65	45.0	1.01	6	153
10.00 to <100.00	1	15.40	17	45.0	1.00	3	238
100.00 (Default)	1	100.00	14	45.0	1.00	—	—
FIRB – Total at 31 Dec 2023	86	2.74	780	45.0	1.02	63	73
Total (all portfolio) at 31 Dec 2023	260	0.95	798	45.0	0.95	95	37

Securitisation

Securitisation strategy

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

Securitisations follow a detailed due diligence framework in accordance with the securitisation framework. Wholesale Credit Risk conducts the credit approval process for securitisations in the banking book. HSBC does not provide support to its originated or sponsored securitisation transactions as a policy, other than through any interest it has retained in the securitised exposures.

Securitisation activity

Our roles in the securitisation process are as follows:

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

SPE	Underlying assets	Start date	Maturity date	EAD (£m)	Capital requirement before securitisation (£m)	Capital requirement after securitisation (£m)
Neon Portfolio Distribution DAC	Corporate loans	Dec-19	Dec-26	750	66	29
Neon Portfolio Distribution DAC	Corporate loans	Dec-23	Dec-30	1,788	135	28

HSBC UK as originator

We are originator of two securitisation programmes outstanding as at 31 December 2024. We have used SPE (Neon Portfolio Distribution) to securitise customer loans and advances and other debt that we have originated in order to diversify our sources of funding for asset origination and for capital efficiency purposes.

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

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

HSBC UK maintains a unhedged holding of at least 5% in each reference obligation. None of these transactions are categorised as Simple Transparent and Standardised ('STS') as per securitisation framework.

Further details are available in Note 14 of the Financial Statements in the Annual Report and Accounts 2024.

HSBC UK as investor

We have exposure to third-party securitisations across sectors in the form of investments and liquidity facilities.

Monitoring of securitisation positions

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

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

Securitisation accounting treatment

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

We reassess the need to consolidate whenever there is a change in the substance of the relationship between HSBC UK and a structured entity.

Full details of these assessments and our accounting policy on structured entities may be found in Note 1.2(a) and Note 14 on the Financial Statements respectively of the Annual Report and Accounts 2024.

Valuation of securitisation positions

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

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

Securitisation regulatory treatment

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

For all securitisation positions we follow the hierarchy of RWA calculation approaches as described in the securitisation framework. Our originated positions are all reported under the Sec-IRBA.

Analysis of securitisation exposures

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

Table 45: IRB – Securitisation exposures in the non-trading book (SEC1)

		Bank acts as originator							Bank acts as sponsor				Bank acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS												
		Total	of which: SRT	Total	of which: SRT	Total	of which: SRT	Sub-total	STS	Non-STS	Synthetic	Sub-total	STS	Non-STS	Synthetic	Sub-total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total at 31 Dec 2024**	**—**	**—**	**—**	**—**	**2,538**	**2,538**	**2,538**	**—**	**—**	**—**	**—**	**264**	**951**	**—**	**1,215**
2	Retail (total)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**264**	**676**	**—**	**940**
3	– residential mortgage	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**264**	**—**	**—**	**264**
5	– other retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**676**	**—**	**676**
7	Wholesale (total)	**—**	**—**	**—**	**—**	**2,538**	**2,538**	**2,538**	**—**	**—**	**—**	**—**	**—**	**275**	**—**	**275**
8	– loans to corporates	**—**	**—**	**—**	**—**	**2,538**	**2,538**	**2,538**	**—**	**—**	**—**	**—**	**—**	**200**	**—**	**200**
10	– lease and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**75**	**—**	**75**
1	Total at 31 Dec 2023	—	—	—	—	3,050	3,050	3,050	—	—	—	—	149	811	—	960
2	Retail (total)	—	—	—	—	—	—	—	—	—	—	—	149	736	—	885
5	– other retail exposures	—	—	—	—	—	—	—	—	—	—	—	149	736	—	885
7	Wholesale (total)	—	—	—	—	3,050	3,050	3,050	—	—	—	—	—	75	—	75
8	– loans to corporates	—	—	—	—	3,050	3,050	3,050	—	—	—	—	—	—	—	—
10	– lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	75	—	75

The table below presents the RWAs and exposures by type, risk-weight bands and regulatory approach in the non-trading securitisation exposures and associated regulatory capital requirements where the Group acts as originator or as sponsor.

Table 46: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3)

		Exposure values (by risk weight bands/deductions)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250% RW deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total at 31 Dec 2024**	**2,522**	**—**	**—**	**16**	**—**	**2,538**	**—**	**—**	**—**
9	Synthetic transactions	**2,522**	**—**	**—**	**16**	**—**	**2,538**	**—**	**—**	**—**
10	Securitisation	**2,522**	**—**	**—**	**16**	**—**	**2,538**	**—**	**—**	**—**
12	– wholesale	**2,522**	**—**	**—**	**16**	**—**	**2,538**	**—**	**—**	**—**
1	Total at 31 Dec 2023	3,035	—	—	15	0	3,050	—	—	—
9	Synthetic transactions	3,035	—	—	15	—	3,050	—	—	—
10	Securitisation	3,035	—	—	15	—	3,050	—	—	—
12	– wholesale	3,035	—	—	15	—	3,050	—	—	—

Table 46: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
		£m	£m	£m	£m	£m	£m	£m	£m
1	**Total at 31 Dec 2024**	**713**	**—**	**—**	**—**	**57**	**—**	**—**	**—**
9	Synthetic transactions	**713**	**—**	**—**	**—**	**57**	**—**	**—**	**—**
10	Securitisation	**713**	**—**	**—**	**—**	**57**	**—**	**—**	**—**
12	– wholesale	**713**	**—**	**—**	**—**	**57**	**—**	**—**	**—**
1	Total at 31 Dec 2023	587	—	—	—	46	—	—	—
9	Synthetic transactions	587	—	—	—	46	—	—	—
10	Securitisation	587	—	—	—	46	—	—	—
12	– wholesale	587	—	—	—	46	—	—	—

The table below presents RWAs and exposures by type, risk-weight bands and regulatory approach in the non-trading book and associated regulatory capital requirements where we act as an investor.

Table 47: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4)

		Exposure values (by risk weight bands)					Exposure values (by regulatory approach)			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to 1250% RW	1250%/ deduct-ions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deduct-ions
		£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total at 31 Dec 2024**	**1,015**	**200**	**—**	**—**	**—**	**—**	**—**	**1,215**	**—**
2	Traditional securitisation	**1,015**	**200**	**—**	**—**	**—**	**—**	**—**	**1,215**	**—**
3	Securitisation	**1,015**	**200**	**—**	**—**	**—**	**—**	**—**	**1,215**	**—**
4	– retail underlying	**940**	**—**	**—**	**—**	**—**	**—**	**—**	**940**	**—**
5	of which: STS	**264**	**—**	**—**	**—**	**—**	**—**	**—**	**264**	**—**
6	– Wholesale	**75**	**200**	**—**	**—**	**—**	**—**	**—**	**275**	**—**
1	Total at 31 Dec 2023	960	—	—	—	—	—	38	922	—
2	Traditional securitisation	960	—	—	—	—	—	38	922	—
3	Securitisation	960	—	—	—	—	—	38	922	—
4	– retail underlying	885	—	—	—	—	—	38	847	—
5	of which: STS	149	—	—	—	—	—	38	111	—
6	– Wholesale	75	—	—	—	—	—	—	75	—

Table 47: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) (continued)

		RWAs (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deduct-ions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deduct-ions
		£m	£m	£m	£m	£m	£m	£m	£m
1	**Total at 31 Dec 2024**	**—**	**—**	**186**	**—**	**—**	**—**	**15**	**—**
2	Traditional securitisation	**—**	**—**	**186**	**—**	**—**	**—**	**15**	**—**
3	Securitisation	**—**	**—**	**186**	**—**	**—**	**—**	**15**	**—**
4	– retail underlying	**—**	**—**	**129**	**—**	**—**	**—**	**10**	**—**
5	of which: STS	**—**	**—**	**27**	**—**	**—**	**—**	**2**	**—**
6	– Wholesale	**—**	**—**	**57**	**—**	**—**	**—**	**5**	**—**
1	Total at 31 Dec 2023	—	4	134	—	—	—	11	—
2	Traditional securitisation	—	4	134	—	—	—	11	—
3	Securitisation	—	4	134	—	—	—	11	—
4	– retail underlying	—	4	123	—	—	—	10	—
5	of which: STS	—	4	12	—	—	—	1	—
6	– Wholesale	—	—	11	—	—	—	1	—

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

Table 48: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5)

		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			of which: exposures in default	
		£m	£m	£m
1	**Total at 31 Dec 2024**	**2,918**	**72**	**14**
7	Wholesale (total)	**2,918**	**72**	**14**
8	– loans to corporates	**2,918**	**72**	**14**
1	Total at 31 Dec 2023	3,376	—	9
7	Wholesale (total)	3,376	—	9
8	– loans to corporates	3,376	—	9

Market risk

Overview of market risk

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

Further explanation of the group's approach to managing market risk can be found from page 68 of the Annual Report and Accounts 2024.

The tables below reflect the components of capital requirements under the standardised approach for market risk.

Table 49: Market risk under standardised approach (MR1)

		At	
		31 Dec 2024	31 Dec 2023
		RWAs	RWAs
		£m	£m
	Outright products		
1	Interest rate risk (general and specific)	**49**	38
3	Foreign exchange risk	**124**	93
9	**Total**	**173**	131

Prudent valuation adjustment

Prudent value represents a conservative estimate with a 90% degree of certainty of a price that would be received to sell an asset or paid to transfer a liability in orderly transactions occurring between market participants at the balance sheet date.

HSBC has documented policies and maintains systems and controls for the calculation of the prudent valuation adjustment ('PVA').

HSBC's methodology addresses fair value uncertainties arising from a number of sources: market price uncertainty, bid-offer uncertainty, model risk, concentration, administrative costs, unearned credit spreads and investing and funding costs.

The table below shows the PVA split by risk category for each of the trading book exposure risks.

Table 50: Prudential valuation adjustments (PV1)

		Risk Category					Category level AVA – Valuation uncertainty				
		Equity	**Interest rates**	**FX**	**Credit**	**Comm-odities**	**Unearn-ed credit spreads AVA**	**Invest-ment and funding costs AVA**	**Total category level post-diversi-fication**	**of which: in the trading book**	**of which: in the banking book**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	Market price uncertainty	**3**	**2**	**—**	**—**	**—**	**—**	**—**	**4**	**—**	**4**
3	Close-out cost	**—**	**10**	**—**	**—**	**—**	**—**	**—**	**5**	**—**	**5**
4	Concentrated positions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	Operational risk	**—**	**1**	**—**	**—**	**—**			**1**	**—**	**1**
10	Future administrative costs	**—**	**2**	**—**	**—**	**—**			**2**	**—**	**2**
12	**Total Additional Valuation Adjustments ('AVAs') as at 31 Dec 2024**								**12**	**—**	**12**
1	Market price uncertainty	8	4	—	—	—	—	—	6	—	6
3	Close-out cost	—	10	—	—	—	—	—	5	—	5
4	Concentrated positions	—	5	—	—	—			5	—	5
7	Operational risk	—	1	—	—	—			1	—	1
10	Future administrative costs	—	—	—	—	—			—	—	—
12	Total Additional Valuation Adjustments ('AVAs') as at 31 Dec 2023								17	—	17

Non-financial risk

Non-financial risk (often referred to as 'operational risk') is the risk of loss resulting from people, inadequate or failed internal processes, data or system, or external events. Sound non-financial risk management is central to achieving good outcomes for our customers, grow our business safely and maintain orderly and transparent operation of financial markets. Non-financial risk is relevant to every aspect of our business and is broadly managed through the RMF.

Non-financial risk covers a wide spectrum of areas, such as resilience risk, financial crime risk, regulatory compliance risk, financial reporting, and people risk. Losses arising from breaches of regulation and law, unauthorised activities, error, omission, inefficiency, fraud, systems failure, or external events all fall within the definition of non-financial risk.

Operational risk capital requirements

Operational risk is part of non-financial risk. The table below provides details of the overall calculation. We currently use the standardised approach ('TSA') in determining our operational risk capital requirement.

Table 51: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk weighted exposure amount amount
		2022	2023[1]	2024		
	Banking activities	£m	£m	£m	£m	£m
2	Banking activities subject to standardised (TSA)/alternative standardised (ASA) approaches				1,247	15,589
3	Subject to TSA:					
	Trading and Sales	190	(355)	(51)		
	Commercial Banking	3,549	4,377	4,411		
	Retail Banking	4,116	5,261	5,234		
	Payment and Settlement	191	215	216		
	Agency Services	46	44	47		
	Asset Management	114	120	132		

1 The relevant indicator values for 2023 in the table have been represented to reflect a reclassification from Commercial Banking to Retail Banking activities for income pertaining to retail SMEs.

Organisation and responsibilities

The RMF sets out our approach to governance, risk management and the principles for our management of non-financial risks and associated controls. Responsibility for managing non-financial risk lies with our people. We continue to enhance the framework and tools for strengthening the control environment and to improve practices in the management of non-financial risk.

Progress has been made in enhancing the framework and tools for strengthening the control environment and we will continue to improve practices in the management of non-financial risk.

In 2024 we continued to develop the Operational and Resilience Risk sub-function, which provides non-financial risk steward oversight of the management of risk by the Group businesses, functions, and legal entities. The sub-function helps the business grow safely and ensures governance and management of Operational and Resilience Risk through the delivery and embedding of effective frameworks and policies, and continuous oversight and assurance of risks, controls, events, and impacts. The effectiveness of first line of defence risk and control owners, and second line of defence risk stewards in managing our non-financial risk processes and practices are reported through the HSBC UK Risk Management Meeting ('RMM').

The RMM is chaired by the HSBC UK Chief Risk Officer; it is a formal governance meeting which oversees all risk which includes the management of HSBC UK's non-financial risk profile.

Non-Financial risk is organised as a specific risk discipline within the Enterprise Risk function and is headed by the Head of Enterprise Risk Management. The Head of Enterprise Risk Management is responsible for monitoring the effectiveness of the first line of defence in its management of Non-Financial Risk. The Head of Enterprise Risk Management is accountable to HSBC UK's Chief Risk Officer in respect of this element of the overall RMF.

Activity to strengthen the first and second lines of defence continued to be a key focus in 2024. The first line of defence owns the risk and is accountable for identifying, assessing, and managing key existing and emerging risks. The second line of defence sets the policy and control standards to manage risks and provides advice and guidance to support these policies. It also challenges the first line to ensure it is managing risk effectively. The third line of defence is Global Internal Audit, which provides independent assurance to the Board and management that our risk management approach and processes are designed and operating effectively.

Measurement and monitoring

The RMF is written as a high-level standard, supplemented by detailed policies.

These policies explain our approach to identifying, assessing, monitoring, and controlling non-financial risk, and give guidance on mitigating actions to be taken when weaknesses are identified.

To drive risk awareness in a more forward-looking manner, we set out our risk appetite and then regularly monitor non-financial risk exposure against that risk appetite. This assists management in determining whether further action is required.

Risk scenario analysis across HSBC UK provides a top down, forward-looking assessment of risks to help determine whether they are being effectively managed within our risk appetite or whether further management action is required. In HSBC UK, the first line of defence is responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. They are responsible for identifying and assessing risks, designing controls, and monitoring the effectiveness of these controls. The RMF helps managers to fulfil these responsibilities by defining a standard risk assessment methodology and providing a tool for the systematic reporting of operational loss data.

Risk and control assessment approach

Non-financial risk and control assessments are performed by the first line of defence. The risk and control assessment process is designed to provide the first line of defence with a view of non-financial risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage non-financial risks within acceptable levels. Appropriate means of mitigation and controls are considered. These include making specific changes to strengthen the internal control environment, and investigating whether cost-effective insurance cover is available to mitigate the risk.

Recording

We use a Group-wide risk management system to record the results of our non-financial risk management process. Non-financial risk and control assessments, as described above, are input, and maintained by the first line of defence. The first line of defence monitors and follows up the progress of documented action plans. Operational risk losses are entered into the Group-wide risk management system and reported to governance monthly. Loss capture thresholds are in line with industry standards.

Other risk

Countercyclical capital buffer

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer under Article 440 of CRR II. Countries or territories that have a CCyB requirement, or have an own funds requirement of greater than 0.1%, or that are material in nature are disclosed below.

Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1)

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/short positions for SA	Internal models	Total Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights	CCyB rate
Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Armenia	—	1	—	—	—	1	—	—	—	—	—	—	1.50
Australia	10	277	—	—	—	287	5	—	—	5	67	0.07	1.00
Belgium	23	17	—	—	—	40	2	—	—	2	26	0.03	1.00
Bulgaria	—	4	—	—	—	4	—	—	—	—	1	—	2.00
Canada	—	237	—	—	—	237	11	—	—	11	142	0.15	—
Chile	—	1	—	—	—	1	—	—	—	—	—	—	0.50
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
Curaçao	—	56	—	—	—	56	18	—	—	18	231	0.25	—
Cyprus	—	8	—	—	—	8	—	—	—	—	1	—	1.00
Czech Republic	—	10	—	—	—	10	—	—	—	—	5	—	1.25
Denmark	147	8	—	—	—	155	9	—	—	9	115	0.13	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
France	—	78	—	—	—	78	1	—	—	1	12	0.01	1.00
Germany	317	86	—	—	—	403	28	—	—	28	346	0.38	0.75
Guernsey	454	46	—	—	—	500	37	—	—	37	464	0.50	—
Hong Kong	—	1,315	—	—	—	1,315	22	—	—	22	281	0.30	0.50
Hungary	—	5	—	—	—	5	—	—	—	—	1	—	0.50
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.50
Ireland	238	196	—	—	—	434	25	—	—	25	313	0.34	1.50
Jersey	783	325	—	—	—	1,108	84	—	—	84	1,051	1.14	—
Korea, Republic Of	—	3	—	—	—	3	—	—	—	—	—	—	1.00
Latvia	—	1	—	—	—	1	—	—	—	—	—	—	0.50
Lithuania	—	1	—	—	—	1	—	—	—	—	—	—	1.00
Luxembourg	2,466	311	—	—	—	2,777	205	—	—	205	2,563	2.78	0.50
Netherlands	110	825	—	—	—	935	40	—	—	40	497	0.54	2.00
Norway	17	28	—	—	—	45	2	—	—	2	28	0.03	2.50
Romania	—	11	—	—	—	11	—	—	—	—	3	—	1.00
Slovakia	—	7	—	—	—	7	—	—	—	—	3	—	1.50
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—	0.50
Spain	113	31	—	—	—	144	9	—	—	9	118	0.13	—
Sweden	364	8	—	—	—	372	29	—	—	29	367	0.40	2.00
Switzerland	—	319	—	—	—	319	9	—	—	9	115	0.12	—

Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) (continued)

	General credit exposures		**Relevant credit exposures – Market risk**		**Securitisation exposures**		**Own funds requirements**						
	SA	**IRB**	**Sum of long/short positions for SA**	**Internal models**	**Total Exposure value for non-trading book**	**Total exposure value**	**Relevant credit risk exposures – Credit risk**	**Relevant credit exposures – Market risk**	**Securitisation positions in the non-trading book**	**Total**	**Risk weighted exposure amounts**	**Own funds requirements weights**	**CCyB rate**
Country	**£m**	**£m**	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**	**%**	**%**
United Arab Emirates	**4**	**691**	**—**	**—**	**—**	**695**	**11**	**—**	**—**	**11**	**139**	**0.15**	**—**
United Kingdom	**5,892**	**245,115**	**—**	**—**	**3,753**	**254,760**	**6,622**	**—**	**72**	**6,694**	**83,677**	**90.75**	**2.00**
United States	**304**	**2,480**	**—**	**—**	**—**	**2,784**	**93**	**—**	**—**	**93**	**1,159**	**1.26**	**—**
Other countries	**110**	**1,833**	**—**	**—**	**—**	**1,943**	**43**	**—**	**—**	**43**	**484**	**0.52**	
Total at 31 Dec 2024	**11,352**	**254,334**	**—**	**—**	**3,753**	**269,439**	**7,305**	**—**	**72**	**7,377**	**92,209**	**100.00**	

Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) (continued)

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures		Own funds requirements						
	SA	IRB	Sum of long/short positions for SA	Internal models	Total Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own funds requirements weights	CCyB rate
Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Anguilla	—	40	—	—	—	40	8	—	—	8	95	0.11	—
Australia	—	274	—	—	—	274	5	—	—	5	68	0.08	1.00
Bulgaria	—	4	—	—	—	4	—	—	—	—	1	—	2.00
Cayman Islands	247	5	—	—	—	252	20	—	—	20	251	0.29	—
Croatia	—	—	—	—	—	—	—	—	—	—	—	—	1.00
Cyprus	—	8	—	—	—	8	—	—	—	—	1	—	0.50
Czech Republic	—	8	—	—	—	8	—	—	—	—	3	—	2.00
Denmark	103	37	—	—	—	140	9	—	—	9	115	0.13	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	—	—	1.50
France	—	91	—	—	—	91	1	—	—	1	17	0.02	0.50
Germany	228	88	—	—	—	317	20	—	—	20	254	0.30	0.75
Guernsey	637	123	—	—	—	759	55	—	—	55	686	0.80	—
Hong Kong	—	1,362	—	—	—	1,362	23	—	—	23	293	0.34	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	—	—	2.00
Ireland	56	197	—	—	—	253	11	—	—	11	143	0.17	1.00
Jersey	681	422	—	—	—	1,103	75	—	—	75	942	1.10	—
Lithuania	—	1	—	—	—	1	—	—	—	—	—	—	1.00
Luxembourg	2,485	255	—	—	—	2,740	215	—	—	215	2,686	3.13	0.50
Netherlands	100	649	—	—	—	749	32	—	—	32	402	0.47	1.00
Norway	19	5	—	—	—	24	2	—	—	2	19	0.02	2.50
Romania	—	10	—	—	—	10	—	—	—	—	4	—	1.00
Slovakia	—	11	—	—	—	11	—	—	—	—	4	0.01	1.50
Slovenia	—	—	—	—	—	—	—	—	—	—	—	—	0.50
Spain	124	37	—	—	—	161	10	—	—	10	131	0.15	—
Sweden	309	10	—	—	—	319	25	—	—	25	312	0.36	2.00
Switzerland	—	373	—	—	—	373	10	—	—	10	128	0.15	—
United Arab Emirates	1	659	—	—	—	660	9	—	—	9	111	0.13	—
United Kingdom	5,864	238,094	—	—	4,010	247,968	6,147	—	58	6,205	77,564	90.50	2.00
United States	221	1,939	—	—	—	2,160	78	—	—	78	974	1.14	—
Other countries	86	1,768	—	—	—	1,854	43	—	—	43	502	0.58	N/A
Total at 31 Dec 2023	11,161	246,470	—	—	4,010	261,641	6,798	—	58	6,856	85,706	100.00	

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

Table 53: Amount of institution-specific countercyclical capital buffer (UK CCyB2)

	2024	2023
Total Risk Exposure Amount (£m)	**110,423**	101,478
Institution specific countercyclical capital buffer rate (%)	**1.86**	1.85
Institution specific countercyclical capital buffer requirement (£m)	**2,056**	1,877

Remuneration

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

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

Table 54: Remuneration awarded for the financial year (REM1)

£m		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed Remuneration	Number of identified staff	**10**	**2**	**14**	**98.9**
	Total fixed remuneration	**1.9**	**2.5**	**7.9**	**27.6**
	– of which: cash-based[1]	**1.9**	**2.5**	**7.9**	**27.6**
Variable Remuneration	Number of identified staff	**10**	**2**	**14**	**98.9**
	Total variable remuneration[2,3]	**—**	**3.8**	**7**	**17.1**
	– of which: cash-based	**—**	**1.7**	**3.2**	**8.7**
	– of which: deferred	**—**	**1**	**1.8**	**3.3**
	– of which: shares or equivalent ownership interests	**—**	**2.1**	**3.8**	**8.4**
	– of which: deferred	**—**	**1.4**	**2.4**	**4.1**
Total (£m)		**1.9**	**6.3**	**14.9**	**44.7**

1 Cash-based fixed remuneration is paid immediately.
2 Variable pay awarded in respect of 2024. In accordance with shareholder approval received on 3 May 2024 (99% in favour), and where regulations permit, for each MRT the variable component of remuneration for any one year is limited to ten times the fixed component of total remuneration, in line with the maximum pay ratio approved by the Group Remuneration Committee. HSBC Holdings plc continues to provide approval for entities regulated by the European Banking Authority to operate a maximum variable pay ratio of 200% of the fixed component of total remuneration for each MRT, where permitted to do so.
3 11 identified staff members were exempt from the application of the remuneration structure requirements for MRTs under the PRA and FCA remuneration rules. Their total remuneration is £2.2m, of which £1.8m is fixed pay and £0.4m is variable remuneration.

Table 55: Special payments to staff whose professional activities have a material impact on institutions' risk profile (REM2)

£m	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards[1]				
Guaranteed variable remuneration awards – Number of identified staff	—	—	—	—
Guaranteed variable remuneration awards – Total amount	—	—	—	—
– of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff[2]	—	—	—	—
Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	—	—	—	—
Severance payments awarded during the financial year				
Severance payments awarded during the financial year – Number of identified staff[2]	—	—	—	**3**
Severance payments awarded during the financial year – Total amount	—	—	—	**0.7**
– of which paid during the financial year	—	—	—	**0.4**
– of which deferred	—	—	—	—
– of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	**0.7**
– of which highest payment that has been awarded to a single person	—	—	—	**0.3**

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

Table 56: Deferred remuneration at 31 December[1] (REM3)

Deferred and retained remuneration – £m	Total amount of deferred remuneration awarded for previous performance periods	of which: due to vest in the financial year	of which: vesting in subsequent financial years	Total amount of adjustment during the financial year due to ex post implicit adjustments	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	—	—	—	—	—	—
Cash-based	—	—	—	—	—	—
Shares or equivalent ownership interests	—	—	—	—	—	—
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
MB Management function	**10.5**	**1**	**9.5**	**1.4**	**1**	**0.3**
Cash-based	**3.7**	**0.5**	**3.2**	—	**0.5**	—
Shares or equivalent ownership interests	**6.8**	**0.5**	**6.3**	**1.4**	**0.5**	**0.3**
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
Other senior management	**18.2**	**1.7**	**16.5**	**2.5**	**1.7**	**0.4**
Cash-based	**5.9**	**0.7**	**5.2**	—	**0.7**	—
Shares or equivalent ownership interests	**12.3**	**1**	**11.3**	**2.5**	**1**	**0.4**
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
Other identified staff	**17**	**2.5**	**14.5**	**2.1**	**2.5**	**0.4**
Cash-based	**6.5**	**1.1**	**5.4**	—	**1.1**	—
Shares or equivalent ownership interests	**10.5**	**1.4**	**9.1**	**2.1**	**1.4**	**0.4**
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
Total amount	**45.7**	**5.2**	**40.5**	**6**	**5.2**	**1.1**

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

Table 57: Identified staff – Remuneration by band[1] (REM4)

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

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

Table 58: Remuneration of staff whose professional activities have a material impact on institutions' risk profile (REM5)

£m	Management body remuneration			Business areas				
	MB Supervisory function	MB Management function	Total MB	Retail banking	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff								124.9
– of which: members of the MB	10	2	12					
– of which: other senior management				4	7	2	1	
– of which: other identified staff				55	21	22.9	—	
Total remuneration of identified staff	1.9	6.3	8.2	35.6	14.1	9.5	0.4	
– of which: variable remuneration[1]	—	3.8	3.8	14.8	5.9	3.3	0.1	
– of which: fixed remuneration	1.9	2.5	4.4	20.8	8.2	6.2	0.3	

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

Appendix I

Summary of excluded disclosures

Template ref	Description	Rationale
UK CCA	Main features of regulatory own funds and eligible liabilities instruments	Published as supplement alongside this report at www.hsbc.com/investors
UK CCR6	Credit derivatives exposures	No reportable exposures
UK CCR7	RWA flow statements of CCR exposures under the IMM	HSBC UK does not have IMM permission for counterparty credit risk
UK CR9	Back-testing of PD per exposure class (fixed PD scale) for Sovereign and Institution exposure class	HSBC UK uses the HSBC Group's global models for exposures to Sovereigns and Institutions. The number of defaults in these models relating to HSBC UK customers is immaterial. Information on the performance of these global models can be found in the HSBC Holdings plc Pillar 3 Disclosures at 31 December 2024 published at www.hsbc.com/investors.
UK CR7	IRB – Effect on the RWA of credit derivatives used as CRM techniques	No reportable exposures
UK CR9.1	IRB approach- Backtesting of PD per exposures class (only for PD estimates according to point (f) of Article 180(1) CRR	No reportable exposures
UK CR10.5	Equity exposures under the simple risk-weighted approach	No reportable exposures
UK SEC2	Securitisation exposures in the trading book	No reportable exposures
UK MRB	Qualitative disclosure requirements for institutions using the internal Market Risk models	HSBC UK does not have IMA permission for market risk
UK MR2-A	Market Risk under the internal model approach ('IMA')	HSBC UK does not have IMA permission for market risk
UK MR2-B	RWA flow statements of market risk exposures under the IMA	HSBC UK does not have IMA permission for market risk
UK MR3	IMA values for trading portfolios	HSBC UK does not have IMA permission for market risk
UK MR4	Comparison of VaR estimates with gains/losses	No reportable exposures

Appendix II

Compliance with CRR II Pillar 3 Requirements

Article	Regulatory Requirements	Compliance reference
Disclosure requirements and policies		
431(1)	Institutions shall publicly disclose the information referred to in Titles II and III [A.435-455] in accordance with the provisions laid down in this Title, subject to the exceptions referred to in Article 432 [Non-Material, Proprietary or Confidential Information]	HSBC UK publishes Pillar 3 disclosures as required.
431 (2)	Institutions that have been granted permission by the competent authorities under Part Three for the instruments and methodologies referred to in Title III [A.452-455] of this Part shall publicly disclose the information laid down therein.	HSBC UK publishes the required information under Title III except for Advanced Operational Risk and IMA Market Risk which are not applicable.
431(3)	The management body or senior management shall adopt formal policies to comply with the disclosure requirements laid down in this Part and put in place and maintain internal processes, systems and controls to verify that the institution's disclosures are appropriate and in compliance with the requirements laid down in this Part. At least one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required under this Part in accordance with the formal policies and internal processes, systems and controls. The written attestation and the key elements of the institution's formal policies to comply with the disclosure requirements shall be included in the institutions' disclosures. Information to be disclosed in accordance with this Part shall be subject to the same level of internal verification as that applicable to the management report included in the institution's financial report. Institutions shall also have policies in place to verify that their disclosures convey their risk profile comprehensively to market participants. Where institutions find that the disclosures required under this Part do not convey the risk profile comprehensively to market participants, they shall publicly disclose information in addition to the information required to be disclosed under this Part. Nonetheless, institutions shall only be required to disclose information that is material and not proprietary or confidential in accordance with Article 432.	HSBC UK Pillar 3 disclosures at 31 December 2024 are approved by the HSBC UK Bank plc Board of Directors and are governed by the group's disclosure policy framework as approved by the Audit Committee('AC'), refer to 'Pillar 3 Governance'section on page 3.
431(4)	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.	Narratives are included to explain quantitative disclosures where required. Refer to Page 3 for overarching statement.
431(5)	Institutions shall, if requested, explain their rating decisions to SMEs and other corporate applicants for loans, providing an explanation in writing when asked. The administrative costs of the explanation shall be proportionate to the size of the loan.	The HSBC UK Credit Risk Management process is disclosed in the Annual Report and Accounts 2024 on page 25
Non-material, proprietary or confidential information		
432 (1)	With the exception of the disclosures laid down in point (c) of Article 435(2) [policy on diversity] and in Articles 437 [Own Funds] and 450 [Remuneration], institutions may omit one or more of the disclosures listed in Titles II and III where the information provided by those disclosures is not regarded as material. Information in disclosures shall be regarded as material where its omission or misstatement could change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.	HSBC UK complies with all relevant disclosure requirements. Items omitted from disclosures are listed in Appendix I on page 67.
432 (2)	Institutions may also omit one or more items of information referred to in Titles II and III where those items include information that is regarded as proprietary or confidential in accordance with this paragraph, except for the disclosures laid down in Articles 437 and 450. Information shall be regarded as proprietary to institutions where disclosing it publicly would undermine their competitive position. Proprietary information may include information on products or systems that would render the investments of institutions therein less valuable, if shared with competitors. Information shall be regarded as confidential where the institutions are obliged by customers or other counterparty relationships to keep that information confidential.	
432 (3)	In the exceptional cases referred to in paragraph 2, the institution concerned shall state in its disclosures the fact that the specific items of information are not disclosed and the reason for not disclosing those items, and publish more general information about the subject matter of the disclosure requirement, except where that subject matter is, in itself, proprietary or confidential.	
Frequency and scope of disclosures		
433	Institutions shall publish the disclosures required under Titles II and III in the manner set out in Articles 433a [Large Institutions], 433b [Small and Non-Complex Institutions] and 433c [Other Institutions] Annual disclosures shall be published on the same date as the date on which institutions publish their financial statements or as soon as possible thereafter. Semi-annual and quarterly disclosures shall be published on the same date as the date on which the institutions publish their financial reports for the corresponding period where applicable or as soon as possible thereafter. Any delay between the date of publication of the disclosures required under this Part and the relevant financial statements shall be reasonable.	HSBC UK, complies with the frequency requirements set out in Article 433a. The annual Pillar 3 disclosures are disclosed on the same date as the Annual Report and Accounts.

Article	Regulatory Requirements	Compliance reference
433a.1	Large institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) on a semi-annual basis the information referred to in: (i) point (a) of Article 437; (ii) point (e) of Article 438; (iii) points (e) to (l) of Article 439; (iv) Article 440; (v) points (c), (e), (f) and (g) of Article 442; (vi) point (e) of Article 444; (vii) Article 445; (viii) point (a) and (b) of Article 448(1); (ix) point (j) to (l) of Article 449; (x) points (a) and (c) of Article 451(1); (xi) Article 451a(3); (xii) point (g) of Article 452; (xiii) points (f) to (j) of Article 453; (xiv) points (d), (e) and (g) of Article 455; (c) on a quarterly basis the information referred to in: (i) points (d) and (h) of Article 438; (ii) the key metrics referred to in Article 447; (iii) Article 451a(2).	HSBC UK comply with the frequency requirements set out in this article.
433a.2	By way of derogation from paragraph 1, large institutions other than G-SIIs that are non-listed institutions shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis.	This disclosure is not applicable as HSBC UK is not a 'non-listed institution'.
433a.3	Large institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the information required under Article 437a on a semi-annual basis, except for the key metrics referred to in point (h) of Article 447, which are to be disclosed on a quarterly basis.	This disclosure is not applicable to HSBC UK.
433a.4	Large institutions that are LREQ firms shall disclose the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	HSBC UK complies with this requirement and completes additional leverage disclosures on a quarterly basis.
Disclosures by small and non-complex institutions		
433b.1	SDDTs and SDDT consolidation entities shall disclose the information outlined below with the following frequency: (a) on an annual basis the information referred to in: (i) point (d) of Article 438; (ii) points (a) to (d), (h)(i) and (h)(ii) of Article 450(1); (b) on a semi-annual basis the key metrics referred to in Article 447.	This disclosure is not applicable to HSBC UK.
433b.2	By way of derogation from paragraph 1 of this Article, SDDTs that are non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis.	This disclosure is not applicable to HSBC UK.
Disclosures by other institutions		
433c.1	Institutions that are not subject to Article 433a or 433b shall disclose the information outlined below with the following frequency: (a) all the information required under this Part on an annual basis; (b) the key metrics referred to in Article 447 on a semi-annual basis; (c) for such institutions that are LREQ firms, the information required under paragraphs (1)(a), (b) and (g), (2) and (3) of Article 451 on a quarterly basis.	This disclosure is not applicable to HSBC UK.
433c.2	By way of derogation from paragraph 1 of this Article, other institutions that are non-listed institutions shall disclose the following information on an annual basis: (a) points (a), (e) and (f) of Article 435(1); (b) points (a), (b) and (c) of Article 435(2); (c) point (a) of Article 437; (d) points (c) and (d) of Article 438; (e) the key metrics referred to in Article 447; and (f) points (a) to (d), (h) to (k) of Article 450(1).	This disclosure is not applicable to HSBC UK.
Means of disclosures		
434 (1)	Institutions shall disclose all the information required under Titles II and III in electronic format and in a single medium or location. The single medium or location shall be a standalone document that provides a readily accessible source of prudential information for users of that information or a distinctive section included in or appended to the institutions' financial statements or financial reports containing the required disclosures and being easily identifiable to those users.	HSBC UK prepares the Pillar 3 with clear references to the Annual Report and Accounts where distinctive sections provide regulatory disclosures.
434 (2)	Institutions shall make available on their website or, in the absence of a website, in any other appropriate location an archive of the information required to be disclosed in accordance with this Part. That archive shall be kept accessible for a period of time that shall be no less than the storage period set by national law for information included in the institutions' financial reports.	Pillar 3 disclosures are published on the HSBC Investor Relations website - www.hsbc.com/investors.
Timing and means of disclosures under Article 441		
434b.1	By way of derogation from the second paragraph of Article 433, G-SIIs shall disclose the information required under Article 441 [Disclosure of Indicators of Global Systemic Importance] within four months after the end of the period to which the information relates.	This disclosure is not applicable to HSBC UK. HSBC Holdings plc is a G-SII and disclosures are published separately on the HSBC investor relations website, www.hsbc.com/investors, subsequent to the publication of Pillar 3 within the defined time frame.
434b.2	By way of derogation from Article 434(1), where a G-SII relies on the derogation in paragraph 1, it may disclose the information required under Article 441 in a separate medium or location from the standalone document mentioned in Article 434(1).	
434b.3	If, in accordance with paragraphs 1 and 2, a G-SII does not disclose the information required under Article 441 at the same time as, and in the same medium or location as, the other information required to be disclosed under Titles II and III, it shall include in the standalone document mentioned in Article 434(1) a statement specifying when and in what medium or location the information required under Article 441 will be disclosed.	
Risk management objectives and policies		
435.1	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to in this Title. These disclosures shall include:	HSBC UK complies with the requirement as set out below, within the Pillar 3 and the Annual Report and Accounts.

Article	Regulatory Requirements	Compliance reference
435 (1) (a)	the strategies and processes to manage those categories of risk;	HSBC UK complies with the requirement as set out below. For a summary of the scope of application of regulatory methodologies for credit Risk, counterparty credit risk, equity, market risk and operational risk management strategy see page 18. For ESG refer page 20 and Climate Risk see page 69 of the Annual Report and Accounts 2024. For Credit Risk see page 24 of Pillar 3 2024 and page 25 of Annual Report and accounts 2024. For Counterparty Credit Risk see page 55. For Market Risk see page 61 of Pillar 3 2024 and page 68 of Annual Reports and accounts 2024. For Non Financial and Operational Risk see page 62 of Pillar 3 2024. For Treasury and Capital Risk see page 12 of Pillar 3 2024 and page 62 of Annual Reports and Accounts 2024. For Model Risk see page 71 of the Annual Report and Accounts 2024. For Resilience Risk see page 69 of Annual Reports and Accounts 2024. For Regulatory Compliance Risk see page 70 of Annual Reports and Accounts 2024.
435 (1) (b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its powers and accountability in accordance with the institution's incorporation and governing documents	
435 (1) (c)	the scope and nature of risk reporting and measurement systems	
435 (1) (d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	
435 (1) (e)	a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	Refer to the 'Risk management section' on page 10 and page 16 of the Annual Report and Accounts 2024.
435 (1) (f)	a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Refer to the 'Risk management section' on page 10 and page 16 of the Annual Report and Accounts 2024.
435 (2)	Institutions shall disclose the following information regarding governance arrangements:	HSBC UK complies with the requirement as set out below.
435 (2) (a)	the number of directorships held by members of the management body	Corporate governance report in the Annual Report and Accounts 2024 on page 72.
435 (2) (b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Corporate governance report in the Annual Report and Accounts 2024 on page 72.
435 (2) (c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	Refer Chairman's Nominations and Remuneration Committee section in the Annual Report and Accounts 2024 on page 74.
435 (2) (d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	Refer Risk Committee in the Annual Report and Accounts 2024 on page 74.
435 (2) (e)	the description of the information flow on risk to the management body.	Refer Risk Committee in the Annual Report and Accounts 2024 on page 74.
Scope of application		
436	Institutions shall disclose the following information regarding the scope of application of the CRR II as follows:	HSBC UK complies with the requirement as set out below.
436 (a)	the name of the institution to which the Capital Risk Requirements applies	Refer to Page 1.
436 (b)	a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds	Table 3: Principal entities with a different regulatory and accounting scope of consolidation (LI3) on page 7.

Article	Regulatory Requirements	Compliance reference
436 (c)	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part	Table 4: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) on page 8.
436 (d)	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences	Table 5: Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) on page 8. Refer to the 'Explanations of differences between accounting and regulatory exposure amounts' section on page 9.
436 (e)	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions	Table 50: Prudential valuation adjustments (PV1) on page 61.
436 (f)	any current or expected material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries	This disclosure is not applicable to HSBC UK. There is no such material or legal impediment for HSBC UK
436 (g)	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries	This disclosure is not applicable to HSBC UK. HSBC UK do not have such subsidiaries.
436 (h)	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9	This disclosure is not applicable to HSBC UK.
Own funds		
437	Institutions shall disclose the following information regarding their own funds:	HSBC UK complies with the requirement as set out below.
437 (a)	full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution	Table 6: Composition of Regulatory own funds (UK CC1) on page 13. Table 2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (UK CC2) on page 7.
437 (b) 437 (c)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	A summary of terms and conditions of own funds in accordance with Annex VIII is available separately on HSBC's investor relations website, *www.hsbc.com/investors*
437 (d)	a separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) items deducted pursuant to Articles 36, 56 and 66; (iii) items not deducted pursuant to Articles 47, 48, 56, 66 and 79	Table 6: Composition of Regulatory own funds (UK CC1) on page 13.
437 (e)	a description of all restrictions applied to the calculation of own funds in accordance with the Capital Regulation Requirements and the instruments, prudential filters and deductions to which those restrictions apply.	Table 6: Composition of Regulatory own funds (UK CC1) on page 13.
437 (f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in the CRR II.	HSBC UK complies with the own fund calculations set out in the CRR II rules.
Disclosure of own funds and eligible liabilities		
437a	Institutions that are subject to Article 92a, or are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, shall disclose the following information regarding their own funds and eligible liabilities:	This disclosure is not applicable to HSBC UK.
437 (a)(a)	The composition of their own funds and eligible liabilities, their maturity and their own features	These disclosures are not applicable for HSBC UK.
437 (a)(b)	The ranking of eligible liabilities in the creditor hierarchy	
437 (a) (c)	The amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4)	
437a (d)	Total amount of excluded liabilities referred to in Article 72a(2)	
Own funds requirement and risk-weighted exposure amounts		
438	Institutions shall disclose the following information regarding their compliance with Article 92 and rules 3.1(1)(a) and 3.4 of the Internal Capital Adequacy Assessment Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
438 (a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities	Refer to the 'Internal capital adequacy assessment' on page 23.
438 (b)	the amount of the additional own funds requirements based on the supervisory review and evaluation process (within the meaning of regulation 34A of the Capital Requirements Regulations) and its composition in terms of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
438 (c)	the result of the institution's internal capital adequacy assessment process	Refer to the 'Internal capital adequacy assessment' on page 23.

Article	Regulatory Requirements	Compliance reference
438 (d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds.	Table 7: Overview of risk-weighted exposure amounts (OV1) on page 13.
438 (e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) [specialised lending] and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2) [simple risk weight approach]	Table 37: Specialised lending and equity exposures under the simple risk-weight approach (CR10) on page 47.
438 (f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis	This disclosure is not applicable to HSBC UK.
438 (g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with the provisions implementing Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	This disclosure is not applicable to HSBC UK.
438 (h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations	Table 8: RWA flow statements of credit risk exposures under the IRB approach (CR8) on page 15. Advanced Operational Risk and IMA Market Risk are not applicable for HSBC UK
Exposures to counterparty credit risk (CCR)		
439	Institutions shall disclose the following information regarding their exposure to counterparty credit risk as referred to in Chapter 6 of Title II of Part Three:	HSBC UK complies with the requirement as set out below.
439 (a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties	Refer to the 'Counterparty credit risk management' section on page 55.
439 (b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves	Refer to the 'Collateral arrangements' section on page 55.
439 (c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291	Refer to the 'Wrong way risk' section on page 57.
439 (d)	the amount of collateral the institution would have to provide if its credit rating were downgraded	Refer to the 'Credit Rating Downgrades' section on page 57.
439 (e)	for derivative transactions, the amount of segregated and unsegregated collateral received and posted per type of collateral; and for securities financing transactions, the total amount of collateral received and posted per type of collateral; provided in each case that: (i) institutions shall not disclose such amounts unless both the fair value of collateral posted in the form of debt securities and the fair value of collateral received in that form exceed GBP 125 billion; and (ii) for the purposes of subparagraph (i), institutions shall use the twelve month rolling arithmetic mean of the fair value of collateral received or posted (as the case may be) in the form of debt securities, determined using quarterly data calculated in a manner consistent with data reported under Article 430(g) [reporting the level of asset encumbrance] and covering the twelve months immediately preceding the disclosure reference date	Table 42: Composition of collateral for CCR exposure (CCR5) on page 55.
439 (f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three*, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method; [*standardised, simplified standardised, original exposure, internal model methods]	Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 55.
439 (g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method	Table 39: Analysis of counterparty credit risk exposure by approach (excluding centrally cleared exposures) (CCR1) on page 55.
439 (h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three [credit valuation adjustment risk]	Table 40: Credit valuation adjustment capital charge (CCR2) on page 55.
439 (i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three [Own Funds Requirements for Exposures to a Central Counterparty], separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures	Table 43: Exposures to central counterparties (CCR8) on page 56.
439 (j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	There is no applicable data for HSBC UK.
439 (k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)	HSBC UK does not have its own estimate of alpha. Alpha estimate is used in IMM approach.
439 (l)	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452	Table 41: Standardised approach – CCR exposures by regulatory exposure class and risk weights (CCR3) on page 55. Table 44: IRB – CCR exposures by portfolio and PD scale (CCR4) on page 57.

Article	Regulatory Requirements	Compliance reference
439 (m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) [simplified standardised approach] or (2) [original exposure method], as applicable	This disclosure is not applicable to HSBC UK, as we do not use simplified SA-CCR and Original Exposure Method.
Countercyclical capital buffers		
440	Institutions shall disclose the following information in relation to their compliance with the requirement for a countercyclical capital buffer referred to in regulation 2 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014:	HSBC UK complies with the requirement as set out below.
440 (a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	Table 52: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (UK CCyB1) on page 62.
440 (b)	the amount of their institution-specific countercyclical capital buffer	Table 53: Amount of institution-specific countercyclical capital buffer (UK CCyB2) on page 62.
Indicators of global systemic importance		
441	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in regulation 23 of Part 4 of Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014	This disclosure is not applicable to HSBC UK. HSBC UK is not a G-SII.
Credit risk adjustments		
442	Institutions shall disclose the following information regarding their exposure to credit risk and dilution risk:	HSBC UK complies with the requirement as set out below.
442 (a)	the scope and definitions that they use for accounting purposes of ‘past due’ and ‘impaired’ and the differences, if any, between the definitions of ‘past due’ and ‘default’ for accounting and regulatory purposes	Refer to Non-performing and forborne exposures section on page 27.
442 (b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Refer to Non-performing and forborne exposures section on page 27.
442(c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Table 21: Credit quality of forborne exposures (CQ1) on page 27. Table 23: Collateral obtained by taking possession and execution processes (CQ7) on page 29. Table 24: Quality of non-performing exposures by geography (CQ4) on page 29. Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 30.
442 (d)	an ageing analysis of accounting past due exposures	Table 22: Credit quality of performing and non-performing exposures by past due days (CQ3) on page 28.
442 (e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures	Table 18: Performing and non-performing exposures and related provisions (CR1) on page 24. Table 21: Credit quality of forborne exposures (CQ1) on page 27. Table 24: Quality of non-performing exposures by geography (CQ4) on page 29. Table 25: Credit quality of loans and advances to non-financial corporations by industry (CQ5) on page 30.
442 (f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	Table 20: Changes in the stock of non-performing loans and advances (CR2) on page 27.
442 (g)	the breakdown of loans and debt securities by residual maturity	Table 19: Maturity of exposures (CR1-A) on page 24.
Encumbered and unencumbered assets		
443	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.	Table 15: Encumbered and unencumbered assets (UK AE1) on page 22. Table 16: Collateral received and own debt securities issued (UK AE2) on page 22. Table 17: Sources of encumbrance (UK AE3) on page 22. Refer to Importance of encumbrance section page 22.
Use of the standardised approach		
444	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three [standardised approach] shall disclose the following information for each of the exposure classes set out in Article 112 [exposure classes]:	HSBC UK complies with the requirement as set out below.

Article	Regulatory Requirements	Compliance reference
444 (a)	the names of the nominated ECAIs and export credit agencies and the reasons for any changes in those nominations over the disclosure period;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 37.
444 (b)	the exposure classes for which each ECAI or export credit agency is used;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 37.
444 (c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 37.
444 (d)	the association of the external rating of each nominated ECAI or export credit agency with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by the competent authority;	CQS reference table on page 37.
444 (e)	the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three [standardised approach] by exposure class, as well as those deducted from own funds.	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 32. Table 30:Standardised approach – exposures by asset classes and risk weights (CR5) on page 38.
Exposure to market risk		
445	Institutions calculating their own funds requirements in accordance with points (b) [trading-book business] and (c) [market risk] of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately.	Table 49: Market risk under standardised approach (MR1) on page 61.
Operational risk management		
446	Institutions shall disclose the following information about their operational risk management:	HSBC UK complies with the requirement as set out below.
446 (a)	the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for;	Table 51: Operational risk own funds requirements and risk-weighted exposure amounts (OR1) on page 62.
446 (b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of relevant internal and external factors being considered in the institution's advanced measurement approach;	This disclosures is not applicable for HSBC UK. HSBC UK applies the standardised approach.
446 (c)	in the case of partial use, the scope and coverage of the different methodologies used.	
Disclosure of key metrics		
447	Institutions shall disclose the following key metrics in a tabular format:	HSBC UK complies with the requirement as set out below.
447 (a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92 [own funds requirements for institutions];	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (b)	the total risk exposure amount as calculated in accordance with Article 92(3) [sets out risk exposure amounts used for capital ratios];	
447 (c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with regulation 34(1) of the Capital Requirements Regulations [SI supervisory powers: own funds];	
447 (d)	their combined buffer requirement which the institutions are required to hold in accordance with regulation 35 of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014;	
447 (e)	the following information in relation to their leverage ratio: (i) for all institutions, their leverage ratio and total exposure measure; (ii) for LREQ firms, the information in Article 451(1)(b) [LR including central bank claims] and (g) [LR excluding IFRS9 transitional effects on capital] and Article 451(2)(b) to (d) [average LR, average LR including central bank claims, the countercyclical LR buffer];	
447 (f)	the following information in relation to their liquidity coverage ratio as calculated in accordance with Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook: (i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period; (iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
447 (g)	the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six: (i) the average or averages, as applicable, of their net stable funding ratio based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (ii) the average or averages, as applicable, of their available stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period; (iii) the average or averages, as applicable, of their required stable funding based on end-of-the-quarter observations over the preceding four quarters, for each quarter of the relevant disclosure period;	Table 1: Key metrics (KM1/IFRS9-FL) on page 5.

Article	Regulatory Requirements	Compliance reference
447 (h)	their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Article 92a or, in the case of institutions that are material subsidiaries of non-UK G-SIIs and are not resolution entities or subsidiaries of a UK parent institution, in accordance with a direction from the Bank of England under section 3A(4B) of the Banking Act 2009, and broken down at the level of each resolution group, where applicable.	This disclosure is not applicable to HSBC UK.
Exposures to interest rate risk on positions not included in the trading book		
448 (1)	Institutions shall disclose the following quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in in Chapter 9 of the Internal Capital Adequacy Assessment (ICAA) Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
448 (1) (a)	the changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; (vi) short rates shock down	Table 14:Quantitative information on IRRBB (UK IRRBB1) on page 20.
448 (1) (b)	the changes in the net interest income calculated under the following two supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook for the current and previous disclosure periods: (i) parallel shock up; (ii) parallel shock down;	
448 (1) (c)	a description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;	Refer to the ‘Interest rate risk in the banking book’ section on page 20.
448 (1) (d)	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;	
448 (1) (e)	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Chapter 9 of the ICAA Part of the PRA Rulebook, including: (i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income; (ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems for the purpose of calculating changes in the economic value of equity and in net interest income, as required under points (a) and (b) of this paragraph, if those assumptions differ from those used for the purposes of Chapter 9 of the ICAA Part of the PRA Rulebook or from those specified in Annex XXXVIII of Chapter 6 of this Disclosure (CRR II) Part of the PRA Rulebook, including the rationale for those differences; (iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk; (iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3); (v) an outline of how often the evaluation of the interest rate risk occurs;	
448 (1) (f)	the description of the overall risk management and mitigation strategies for those risks;	
448 (1) (g)	average and longest repricing maturity assigned to non-maturing deposits.	Refer to the ‘Interest rate risk in the banking book’ section on page 20.
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for descriptions relating to economic value of equity shall not apply to institutions that use the standardised framework referred to in Rule 9.1B of the ICAA Part of the PRA Rulebook.	This disclosures is not applicable to HSBC UK.
Exposure to securitisation positions		
449	Institutions calculating risk-weighted exposure amounts in accordance with Chapter 5 of Title II of Part Three or own funds requirements in accordance with Article 337 or 338 shall disclose the following information separately for their trading and non-trading book activities:	HSBC UK complies with the requirement as set out below.
449 (a)	a description of their securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether they use the simple, transparent and standardised securitisation (STS) as defined in point (10) of Article 242, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;	Refer to the ‘securitisation strategy’ and ‘securitisation activity’ sections on page 58.
449 (b)	the type of risks they are exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and: (i) the risk retained in own-originated transactions; (ii) the risk incurred in relation to transactions originated by third parties;	Refer to the ‘securitisation strategy’ and ‘securitisation activity’ sections on page 58.
449 (c)	their approaches for calculating the risk-weighted exposure amounts that they apply to their securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;	Refer to the ‘securitisation regulatory treatment’ section on page 58.
449 (d)	a list of SSPEs falling into any of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts: (i) SSPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services; (iv) SSPEs included in the institutions' regulatory scope of consolidation;	Refer to the ‘securitisation strategy’ on page 58.
449 (e)	a list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three;	HSBC UK does not provide support to its originated or sponsored securitisation transactions as a policy.
449 (f)	a list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions;	This disclosure is not applicable to HSBC UK.

Article	Regulatory Requirements	Compliance reference
449 (g)	a summary of their accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;	Refer to the 'securitisation accounting treatment' section on page 58.
449 (h)	the names of the ECAIs used for securitisations and the types of exposure for which each agency is used;	Refer to 'Qualitative disclosures on bank's use of external credit ratings under the standardised approach for credit risk' section on page 37.
449 (i)	where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three, including the structure of the internal assessment process and relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;	Internal Assessment Approach is not applicable to HSBC UK securitisation positions.
449 (j)	separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether institutions have transferred significant credit risk in accordance with Articles 244 and 245, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;	Table 45: Securitisation exposures in the non-trading book (SEC1) on page 59. HSBC UK has no trading book exposure.
449 (k)(i)	for the trading and the non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;	Table 46: Securitisation exposures in the non-trading book and associated regulatory capital requirements – bank acting as originator or as sponsor (SEC3) on page 59.
449 (k)(ii)	the aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;	Table 47: Securitisation exposures in the non-trading book and associated capital requirements – bank acting as investor (SEC4) on page 59.
449 (l)	for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.	Table 48: Exposures securitised by the institution – Institution acts as originator or as sponsor (SEC5) on page 59.
Remuneration disclosures		
450.1	Institutions shall disclose the following information regarding their remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institutions:	HSBC UK complies with the requirement as set out below.
450 (1)(a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	As a wholly-owned subsidiary, HSBC UK is subject to the remuneration practices established by HSBC. Details of HSBC Group's remuneration practices, including details on the Remuneration Committee membership and its activities, the remuneration strategy, and remuneration structure of HSBC Identified Staff and Material Risk Takers ('MRT') is available in the Directors' Remuneration Report from page 279 of the HSBC Holdings plc Annual Report and Accounts 2024.
450 (1)(b)	information about the link between pay of the staff and their performance;	
450 (1)(c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	
450 (1)(d)	the ratios between fixed and variable remuneration set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the PRA Rulebook;	
450 (1)(e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	
450 (1)(f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;	
450 (1)(g)	aggregate quantitative information on remuneration, broken down by business area;	Refer to table (REM5) on page 65.
450 (1)(h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years; (iv) the amount of deferred remuneration due to vest in the financial year, and the number of beneficiaries of those awards; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Remuneration awarded for the financial year (REM1) on page 65. Special payments to staff whose professional activities have a material impact on institutions' risk profile (REM2) on page 65. Deferred remuneration at 31 December (REM3) on page 65.

Article	Regulatory Requirements	Compliance reference
450 (1)(i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Identified staff - remuneration by band (REM4) on page 65.
450 (1)(k)	information on whether the institution benefits from a derogation laid down in the Remuneration Part of the PRA Rulebook at 5.3, and/or 12.2 (second subparagraph), and 15.A1(3). For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of the Remuneration Part of the PRA Rulebook at 5.3 [for small CRR II firms], and/or 12.2 (second subparagraph[pension policy, referring to small CRR II firms and small third country CRR II firms]), and 15.A1(3) [where an employee subject to a buy-out is a material risk-taker in their previous firm]. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.	HSBC UK is not a small CRR firm or a small third country CRR firm, therefore the benefits of provision 5.3 in the PRA Rulebook do not apply to HSBC 12.2 of the PRA Rulebook applies to a firm that is not a small CRR firm or a small third country CRR firm. HSBC UK doesn't offer discretionary pension benefits, therefore we don't take advantage of the exemption in the second paragraph. HSBC UK applies appropriate retention, deferral, performance and clawback arrangements to buy-outs and the duration is no shorter than such duration as was applied and remained outstanding in relation to unvested variable remuneration awarded by a previous firm to the person as an employee of that previous firm.
450 (2)	For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members. Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the GDPR.	Refer to the Directors' Remuneration Report on page 279 of the HSBC Holdings Plc Annual Report and Accounts 2024.
Leverage		
451 (1)	Institutions shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 of Chapter 3 of the Leverage Ratio (CRR II) Part and their management of the risk of excessive leverage:	HSBC UK complies with the requirement as set out below.
451 (1) (a)	Leverage ratio,	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (1) (b)	the leverage ratio calculated as if central bank claims were required to be included in the total exposure measure;	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (1) (c)	a breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	Table 10: Summary reconciliation of accounting assets and leverage ratio exposures (UK LR1-LRSum) on page 16.
451 (1) (d)	a description of the processes used to manage the risk of excessive leverage;	Refer to Leverage ratio section on Page 16.
451 (1) (e)	a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;	
451 (1) (f)	in relation to the quarterly periods up to 31 December 2022, the leverage ratio calculated as if Article 468 of the CRR II[temporary treatment of unrealised FVOCI G/L w.r.t. Covid] did not apply for purposes of the capital measure under Article 429(3) [Tier 1 capital] of Chapter 3 of the Leverage Ratio (CRR II) Part;	No temporary treatment for HSBC UK , Row UK-25b in the LR2-CRCom table on page 16 shows the leverage ratio is aligned to row 25.
451 (1) (g)	in relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR II did not apply for purposes of the capital measure under Article 429(3) [IFRS 9] of Chapter 3 of the Leverage Ratio (CRR II) Part.	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (2)	LREQ firm must disclose each of the following - a) average exposure measure; b) average leverage ratio; c) average leverage ratio calculated as if central bank claims were required to be included in the total exposure measure; and d) countercyclical leverage ratio buffer.	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
451 (3)	An LREQ firm must disclose such information as is necessary to enable users to understand changes in the firm's total exposure measure and tier 1 capital (leverage) over the quarter that have affected the firm's average leverage ratio.	Refer to Leverage ratio section on Page 16.
451 (4)	Subject to paragraph 5 [see below]:	See below
451 (4)(a)	for the purposes of paragraph 2(a) an LREQ firm must calculate its average exposure measure for a quarter as the sum of: (i) the arithmetic mean of the firm's total exposure measure in relation to on-balance sheet assets and securities financing transactions on each day in the quarter; and (ii) the arithmetic mean of the firm's total exposure measure excluding on-balance sheet assets and securities financing transactions on the last day of each month in the quarter; and	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.

Article	Regulatory Requirements	Compliance reference
451 (4)(b)	for the purposes of paragraphs 2(b) and 3, an LREQ firm must calculate its average leverage ratio for a quarter as its capital measure divided by its exposure measure where the: (i) capital measure is the arithmetic mean of the firm's tier 1 capital (leverage) on the last day of each month in the quarter; and (ii) exposure measure is the sum derived in accordance with (a).	Table 9: Leverage ratio common disclosure (UK LR2-LRCom) on page 16. Table 1: Key metrics (KM1/IFRS9-FL) on page 5.
Disclosure of liquidity requirement		
451a (1)	Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	HSBC UK complies with the requirement as set out below.
451a (2)	Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook:	HSBC UK complies with the requirement as set out below.
451a (2)(a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (2)(b)	the average or averages, as applicable, of their total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (2)(c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the Chapter 2 of the Liquidity Coverage Ratio (CRR II) Part of the PRA Rulebook, based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Table 12: Quantitative information of LCR (UK LIQ1) on page 18.
451a (3)	Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	HSBC UK complies with the requirement as set out below.
451a (3)(a)	averages of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period, based on end-of-the-quarter observations over the preceding four quarters;	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (3)(b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters;	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (3)(c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six for each quarter of the relevant disclosure period, comprising averages based on end-of-the-quarter observations over the preceding four quarters.	Table 13: Net stable funding ratio (LIQ2) on page 18.
451a (4)	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.	For details on our approach to managing Liquidity Risk, refer the 'Treasury Risk management' section on page 12.
Use of the IRB approach to credit risk		
452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach to credit risk shall disclose the following information:	HSBC UK complies with the requirement as set out below.
452 (a)	the competent authority's permission of the approach or approved transition;	HSBC UK applies the IRB approach where it has PRA permission. Refer to the 'Application of the IRB approach' and 'Roll-out of the IRB approach' sections on page 39.
452 (b)	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Chapter 2 of Title II of Part Three or to the IRB Approach laid down in Chapter 3 of Title II of Part Three, as well as the part of each exposure class subject to a roll-out plan; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission; For the purposes of this Article, institutions shall use the exposure value as defined in Article 166.	Table 29: Scope of the use of IRB and SA approaches (UK CR6-A) on page 36.
452 (c)	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on: (i) the relationship between the risk management function and the internal audit function; (ii) the rating system review; (iii) the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models; (iv) the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts on page 71.
452 (d)	the role of the functions involved in the development, approval and subsequent changes of the credit risk models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts on page 71.
452 (e)	the scope and main content of the reporting related to credit risk models;	Refer to the 'Risk analytics and model governance' on page 11 and 'Model Risk' section in the Annual Reports and Accounts on page 71.

Article	Regulatory Requirements	Compliance reference
452 (f)	a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering: (i) the definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods; (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure; (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	Table 35: IRB PD models – estimated and actual values (Retail) on page 44. Table 32: IRB PD models – estimated and actual values (wholesale) on page 41.
452 (g)	as applicable, the following information in relation to each exposure class referred to in Article 147: (i) their gross on-balance-sheet exposure; (ii) their off-balance-sheet exposure values prior to the relevant conversion factor; (iii) their exposure after applying the relevant conversion factor and credit risk mitigation; (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk; (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission;	Table 38: IRB – Credit risk exposures by portfolio and PD range (CR6) on page 47.
452 (h)	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.	Table 33: Wholesale IRB exposure – back-testing of probability of default (PD) per portfolio (CR9) on page 41. Table 36: Retail IRB exposure – back-testing of probability of default (PD) per portfolio(CR9) on page 44.
Use of credit risk mitigation techniques		
453	Institutions using credit risk mitigation techniques shall disclose the following information:	HSBC UK complies with the requirement as set out below.
453 (a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	Refer to the Risk Mitigation' section on page 30.
453 (b)	the core features of the policies and processes for eligible collateral evaluation and management;	
453 (c)	a description of the main types of collateral taken by the institution to mitigate credit risk;	
453 (d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	
453 (e)	information about market or credit risk concentrations within the credit mitigation taken;	Refer to 'Concentration risk' section on page 29.
453 (f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Table 26: Credit risk mitigation techniques – overview (CR3) on page 32.
453 (g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 32. Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 32.
453 (h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 32. Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 32.
453 (i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;	Table 27: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) on page 32. Table 28: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) on page 32.
453 (j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	This disclosure is not applicable to HSBC UK as we dont have credit derivatives exposure.

Article	Regulatory Requirements	Compliance reference
Use of the Advanced Measurement Approaches to operational risk		
454	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk transfer mechanisms for the purpose of mitigating that risk.	This disclosure is not applicable to HSBC UK as we apply the standardised approach.
Use of internal market risk models		
455	Institutions calculating their capital requirements in accordance with Article 363 [Market Risk, permission to use internal models] shall disclose the following information:	This disclosure is not applicable to HSBC UK as we apply the standardised approach.
455 (a) (i)	for each sub-portfolio covered: (i) the characteristics of the models used	
455 (a) (ii)	where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model;	
455 (a) (iii)	a description of stress testing applied to the sub-portfolio;	
455 (a) (iv)	a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;	
455 (b)	the scope of permission by the competent authority;	
455 (c)	a description of the extent and methodologies for compliance with the requirements set out in Articles 104 [inclusion in the trading book] and 105 [requirements for prudent valuation];	
455 (d)	the highest, the lowest and the mean of the following: (i) the daily value-at-risk measures over the reporting period and at the end of the reporting period; (ii) the stressed value-at-risk measures over the reporting period and at the end of the reporting period; (iii) the risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period;	
455 (e)	the elements of the own funds requirement as specified in Article 364 [own funds requirements when using internal models];	
455 (f)	the weighted average liquidity horizon for each sub-portfolio covered by the internal models for incremental default and migration risk and for correlation trading;	
455 (g)	a comparison of the daily end-of-day value-at-risk measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.	

Other Information

Abbreviations

The following abbreviated terms are used throughout this document.

A	
AC	Audit Committee
AIRB[1]	Advanced internal ratings based approach
ALCO	Asset and Liability Management Committee
ASF	Available Stable Funding
AT1	Additional tier 1
AVA	Additional value adjustment
B	
Basel	Basel Committee on Banking Supervision
Basel 3.1	Outstanding measures to be implemented from the Basel III reforms
BNII	Banking Net Interest Income
BNIIS	Banking Net Interest Income Sensitivity
C	
CCF	Credit conversion factor
CCP[1]	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CET1[1]	Common equity tier 1
CRD IV[1]	Capital Requirements Regulation and Directive
CRE[1]	Commercial real estate
CRM[1]	Credit risk mitigation/mitigant
CRO	Chief Risk Officer
CRR[1]	Customer risk rating
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
CSA	Credit Support Annex
CVA[1]	Credit valuation adjustment
D	
DBRS	Morningstar DBRS ratings
Dec	December
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECA	Export Credit Agency
ECAI	External Credit Assessment Institution
ECL[1]	Expected credit losses
EHQLA	Extremely high-quality liquid assets
EL[1]	Expected loss
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic value of equity
F	
FCA	Financial Conduct Authority
FCP	Funded credit protection
FIRB	Foundation internal ratings based approach
Fitch	Fitch Ratings
FVOCI[1]	Fair value through other comprehensive income
G	
G-SII	Global systemically important institution
G-SIB[1]	Global systemically important bank
H	
HQLA	High-quality liquid assets
I	
IAA	Internal assessment approach
ICAAP[1]	Internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
IMA	Internal models approach
IMM[1]	Internal model method
IRB[1]	Internal ratings-based approach
IRC	Incremental Risk Charge
IRRBB	Interest rate risk in the banking book
J	
Jun	June
L	
LCR[1]	Liquidity coverage ratio
LGD[1]	Loss given default
M	
Mar	March
MOF	Model Oversight Forum
Moody's	Moody's Investor Service
MRC	Model Risk Committee
MRT	Material Risk Taker
N	
NII	Net interest income
NMD	Non-maturity deposits
NPE	Non-performing exposures
NPL	Non-performing loan
NSFR[1]	Net stable funding ratio
O	
O-SII	Other systemically important institutions
OTC[1]	Over-the-counter
P	
PD[1]	Probability of default
PFE	Potential future exposure
PIT	Point-in-time
PMA	Post model adjustment
PRA[1]	Prudential Regulation Authority (UK)
PVA	Prudent valuation adjustment
Q	
QCCP	Qualifying central counterparty
R	
Retail IRB[1]	Retail internal ratings-based approach
RMF	Risk Management Framework
RMM	Risk Management Meeting
RSF	Required stable funding
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
S&P	Standard and Poor's rating agency
SEC-ERBA	Securitisation internal rating-based approach
SEC-IRBA	Securitisation external rating-based approach
SEC-SA	Securitisation standardised approach
Sep	September
SFT	Securities financing transactions
SME	Small and medium-sized enterprise
SPE[1]	Special purpose entity
SREP	Supervisory review and evaluation process
SRT	Significant Risk Transfer
STS	Simple transparent and Standardised

T	
TC	Total Capital
TCR	Total capital requirement
T1 capital[1]	Tier 1 capital
T1	Tier 1
T2	Tier 2
T2 capital[1]	Tier 2 capital
U	
UK	United Kingdom
US	United States
UTP	Unlikeliness to pay
V	
VaR[1]	Value at risk

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

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