HSBC Bank plc

Pillar 3 Disclosures at 30 June 2024
Registered number - 00014259

HSBC

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

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

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

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

Certain defined terms

This document comprises the 30 June 2024 Pillar 3 disclosures for HSBC Bank plc.

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

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

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

Introduction

Pillar 3 disclosure and governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 30 June 2024 comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the Prudential Regulation Authority ('PRA') Rulebook Disclosure (CRR). They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

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

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

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global processes, enhancing consistency, and improving controls across our regulatory reporting. This remains a top priority for both HSBC management and regulatory authorities. This multifaceted programme includes data enhancement, transformation of the reporting systems, and an uplift to the control environment over the report production process.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ratio ('CET1'), 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 CRR II. Narratives are included to explain quantitative disclosures where necessary.

The regulatory numbers and ratios presented in this document were accurate as at the date of reporting. Small changes may exist between these numbers and ratios and those subsequently submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods.

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.

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

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

'Regulatory developments' section is provided on page 31 of the HSBC Bank plc Interim Report 2024.

The table below references where disclosures have been enhanced.

Page ref	Table Reference	Activity
6	Table 3 - UK CC1	Updated the classification between components of shareholder's equity
11	Table 7a - MR2-B	Enhanced to present the RWA movements on a spot basis
14	Table 11 - LIQ1	Enhanced disclosures for inflows subject to 75% cap
15	Table 12 - LIQ2	Enhanced to include early redemption of capital and weighted values for mortgages
17	Table 13 - CR1	Enhanced disclosures to align to PRA guidelines
19	Table 14 - CR1-A	Enhanced disclosures to align to CR1
21	Table 18 - CQ4	Implemention and disclosure of materiality threshold

Frequency and location

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

Material risks

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

Governance

The Board continues to oversee the governance, smooth operation and oversight of HSBC Bank plc.

The HSBC Bank plc Pillar 3 Disclosures at 30 June 2024 was approved by the Board on 30 July 2024 and signed on its behalf by the HSBC Bank plc Chief Financial Officer.

Key metrics

KM1 table below sets out the key regulatory metrics covering the HSBC Bank plc's available capital (including buffer requirements and ratios), RWAs, Leverage ratio, LCR and NSFR. Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis. Capital figures and ratios are reported on a CRR II transitional basis for capital instruments and the leverage ratio is calculated using the CRR II end point basis for capital. The calculation for LCR is the average of the preceding 12 months for each quarter and NSFR is the average of the preceding four quarters. LCR and NSFR amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.

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

		At				
Ref*		**30 Jun 2024**	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
	Available capital (£m)					
1	Common equity tier 1 (‘CET1’) capital^	**20,326**	20,124	19,230	20,390	19,747
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**20,326**	20,124	19,230	20,390	19,747
2	Tier 1 capital^	**24,268**	24,066	23,124	24,281	23,642
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**24,268**	24,066	23,124	24,281	23,642
3	Total capital^	**39,294**	38,634	37,131	37,112	35,671
	Total capital as if IFRS 9 transitional arrangements had not been applied	**39,294**	38,634	37,131	37,112	35,671
	Risk-weighted assets (‘RWAs’) (£m)[1]					
4	Total RWAs^	**113,191**	113,430	107,449	109,000	106,627
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**113,191**	113,430	107,449	109,000	106,627
	Capital ratios (%)[1]					
5	CET1^	**18.0**	17.7	17.9	18.7	18.5
	CET1 as if IFRS 9 transitional arrangements had not been applied	**18.0**	17.7	17.9	18.7	18.5
6	Tier 1^	**21.4**	21.2	21.5	22.3	22.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**21.4**	21.2	21.5	22.3	22.2
7	Total capital^	**34.7**	34.1	34.6	34.0	33.5
	Total capital as if IFRS 9 transitional arrangements had not been applied	**34.7**	34.1	34.6	34.0	33.5
	Additional own funds requirements based on Supervisory Review and Evaluation Process (‘SREP’) as a percentage of RWAs (%)					
UK-7d	Total SREP own funds requirements	**8.0**	8.0	8.0	8.0	8.0
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer	**1.0**	0.9	0.9	0.9	0.6
11	Combined buffer requirement	**3.5**	3.4	3.4	3.4	3.1
UK-11a	Overall capital requirements	**11.5**	11.4	11.4	11.4	11.1
12	CET1 available after meeting the total SREP own funds requirements	**13.5**	13.2	13.4	14.2	14.0
	Leverage ratio^					
13	Total exposure measure excluding claims on central banks (£m)	**471,459**	481,973	455,852	447,967	431,714
14	Leverage ratio excluding claims on central banks (%)	**5.1**	5.0	5.1	5.4	5.5
	Average exposure measure excluding claims on central banks (£m)	**475,962**	469,171	449,733	430,507	448,477
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^					
14a	Fully loaded expected credit losses (‘ECL’) accounting model leverage ratio excluding claims on central banks (%)	**5.1**	5.0	5.1	5.4	5.5
14b	Leverage ratio including claims on central banks (%)	**4.1**	4.1	4.0	4.2	4.3
14c	Average leverage ratio excluding claims on central banks (%)	**5.1**	5.1	5.3	5.6	5.3
14d	Average leverage ratio including claims on central banks (%)	**4.1**	4.0	4.1	4.3	4.2
14e	Countercyclical leverage ratio buffer (%)	**0.3**	0.3	0.3	0.3	0.2
EU-14d	Leverage ratio buffer requirement (%)	**0.3**	0.3	0.3	0.3	0.2
EU-14e	Overall leverage ratio requirements (%)	**3.6**	3.6	3.6	3.6	3.5
	Liquidity coverage ratio (‘LCR’)					
15	Total high-quality liquid assets (£m)	**104,346**	104,159	105,524	106,095	108,593
UK-16a	Cash outflows – total weighted value (£m)	**116,302**	118,501	120,627	123,613	126,649
UK-16b	Cash inflows – total weighted value (£m)	**44,601**	47,370	49,517	52,027	53,934
16	Total net cash outflow (£m)	**71,701**	71,131	71,110	71,586	72,715
17	LCR ratio (%)	**146**	146	148	148	149
	Net stable funding ratio (‘NSFR’)					
18	Total available stable funding (£m)	**122,723**	118,287	116,303	114,368	112,860
19	Total required stable funding (£m)	**108,120**	104,619	100,094	98,662	96,646
20	NSFR ratio (%)	**114**	113	116	116	117

* *The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.*
^ *For 30 June 2024, the add-back to CET1 capital and the related tax have not been applied as they were immaterial.*
1 *From November 2023, we reverted to the on-shored UK version of closely correlated currency list (CIR(EU) 2019/2091) from the previously applied EBA list (CIR(EU) 2021/249). Comparative data have been represented.*

At 30 June 2024, our common equity tier 1 ('CET1') capital ratio increased to 18.0% from 17.7% at 31 March 2024. The key drivers of the increase in our CET1 ratio were:

- a 0.1 percentage point increase from capital generation through profits net of dividend payment;
- a 0.1 percentage point increase driven by lower RWAs mainly from decrease in balance sheet exposures, primarily in corporate lending, offset by other risk parameter refinements and model updates; and
- a 0.1 percentage point increase from other movements.

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

Linkage to the Interim Report 2024

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

Structure of the regulatory group

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

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

Table UK CC2 below presents the reconciliation between the HSBC Bank plc financial balance sheet and the regulatory scope of consolidation. The regulatory balance sheet value cannot be directly reconciled to other tables within the regulatory scope of consolidation as it is not a measure of RWAs but rather, it is derived from an accounting measure.

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

	Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Equity accounting of Insurance Subsidiaries £m	Regulatory balance sheet £m
Assets						
Cash and balances at central banks		**116,062**	**—**	**53**	**—**	**116,115**
Items in the course of collection from other banks		**2,153**	**—**	**—**	**—**	**2,153**
Trading assets		**114,303**	**—**	**—**	**—**	**114,303**
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss		**20,580**	**(15,760)**	**626**	**—**	**5,446**
Derivatives		**162,661**	**(43)**	**—**	**—**	**162,618**
Loans and advances to banks		**14,332**	**(51)**	**—**	**—**	**14,281**
Loans and advances to customers		**85,721**	**(398)**	**—**	**—**	**85,323**
– of which: expected credit losses on IRB portfolios	*h*	***(739)***	**—**	**—**	**—**	***(739)***
Reverse repurchase agreements – non-trading		**63,892**	**41**	**—**	**—**	**63,933**
Financial investments		**56,489**	**(6,746)**	**—**	**—**	**49,743**
– of which: debt securities eligible as tier 2 issued by group FSEs that are outside the regulatory scope of consolidation	*q*	**—**	***356***	**—**	**—**	***356***
Assets held for sale		**598**	**—**	**—**	**—**	**598**
– of which: expected credit losses on IRB portfolios	*h*	***(1)***	**—**	**—**	**—**	***(1)***
Capital invested in insurance and other entities		**—**	**598**	**—**	**518**	**1,116**
Prepayments, accrued income and other assets		**74,410**	**(907)**	**53**	**—**	**73,556**
– of which: retirement benefit assets	*j*	***67***	**—**	**—**	**—**	***67***
Current tax assets		**929**	**17**	**—**	**—**	**946**
Interests in associates and joint ventures		**695**	**—**	**(683)**	**—**	**12**
Goodwill and intangible assets	*e*	**260**	**—**	**—**	**—**	**260**
Deferred tax assets	*f*	**1,291**	**(122)**	**1**	**—**	**1,170**
Total assets at 30 Jun 2024		**714,376**	**(23,371)**	**50**	**518**	**691,573**

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

	Ref †	Accounting balance sheet £m	Deconsolidation of insurance/ other entities £m	Consolidation of banking associates £m	Equity accounting of Insurance Subsidiaries £m	Regulatory balance sheet £m
Liabilities and equity						
Liabilities						
Deposits by banks		30,233	(4)	—	—	30,229
Customer accounts		240,957	232	—	—	241,189
Repurchase agreements – non-trading		48,764	—	—	—	48,764
Items in the course of transmission to other banks		2,024	—	—	—	2,024
Trading liabilities		45,355	—	—	—	45,355
Financial liabilities designated at fair value		35,725	(590)	—	—	35,135
– of which: included in tier 2	*n, i*	*734*	—	—	—	*734*
Derivatives		160,552	8	—	—	160,560
– of which: debit valuation adjustment	*k*	*9*	—	—	—	*9*
Debt securities in issue		16,760	(535)	—	—	16,225
Liabilities of disposal groups held for sale		433	—	—	—	433
Accruals, deferred income and other liabilities		70,814	(1,368)	50	—	69,496
Current tax liabilities		274	(15)	—	—	259
Liabilities under insurance contracts		20,574	(20,574)	—	—	—
Provisions		285	(2)	—	—	283
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	*h*	*57*	—	—	—	*57*
Deferred tax liabilities		5	—	—	—	5
Subordinated liabilities		16,134	—	—	—	16,134
– of which: included in tier 2	*n, o, p*	*15,544*	—	—	—	*15,544*
Total liabilities at 30 Jun 2024		**688,889**	**(22,848)**	**50**	**—**	**666,091**
Equity						
Called up share capital	*a*	797	—	—	—	797
Share premium account	*a*	2,136	—	—	—	2,136
Other equity instruments	*l*	3,930	—	—	—	3,930
Other reserves	*b, c, g*	(6,435)	69	—	518	(5,848)
Retained earnings	*b, c, i*	24,905	(587)	—	—	24,318
Total shareholders' equity		**25,333**	**(518)**	**—**	**518**	**25,333**
Non-controlling interests	*d, m*	154	(5)	—	—	149
Total equity at 30 Jun 2024		**25,487**	**(523)**	**—**	**518**	**25,482**
Total liabilities and equity at 30 Jun 2024		**714,376**	**(23,371)**	**50**	**518**	**691,573**

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

Treasury Risk management

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

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

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

For further details of our approach to treasury risk management including capital, liquidity, interest rate in the banking book, non-trading foreign exchange exposure and pensions risk management, please see page 29 of the HSBC Bank plc Interim Report 2024.

Risk to capital and liquidity

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. We closely monitor future regulatory changes, and continue to evaluate the impact of these upon our capital and liquidity requirements, particularly those related to the UK's and the EU's implementation of the outstanding measures to be implemented from the Basel III reforms ('Basel 3.1'). These are discussed in the 'Regulatory developments' section in the HSBC Bank plc Interim Report 2024 on page 31.

Capital risk

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

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

Liquidity risk

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

Interest rate risk in the banking book

Interest rate risk in the banking book 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 or in order to hedge positions held with trading intent. Interest rate risk that can be economically hedged may be transferred to the Markets Treasury business. Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business where the risks originate.

The Global Treasury function uses a number of measures to monitor and control interest rate risk in the banking book, including:

- banking net interest income sensitivity; and
- economic value of equity sensitivity.

Non-trading book foreign exchange exposures

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

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

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

Transactional foreign exchange risk arises primarily from day-to-day transactions in the banking book generating profit and loss or 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 with the exception of limited residual foreign exchange exposure arising from timing differences or for other reasons. Transactional foreign exchange exposure generated through OCI reserves is managed by the Markets Treasury business within agreed limits.

Own Funds

Table UK CC1 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 transitional basis. Additional value adjustments are calculated on assets measured at fair value and subsequently deducted from CET1. The minimum deductions for holdings of own CET1, AT1 and T2 instruments are set by the PRA.

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

			At	
			30 Jun 2024	31 Dec 2023
Ref*		Ref †	**£m**	£m
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Capital instruments and related share premium accounts		**2,933**	1,801
	– ordinary shares	a	**2,933**	1,801
2	Retained earnings[1]	b	**24,362**	23,969
3	Accumulated other comprehensive income (and other reserves)[1]	c	**(6,426)**	(6,083)
5	Minority interests (amount allowed in consolidated CET1)	d	**76**	77
UK-5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	b	**428**	742
6	**Common equity tier 1 capital before regulatory adjustments**		**21,373**	20,506
	Common equity tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		**(520)**	(551)
8	Intangible assets (net of related deferred tax liability) (negative amount)	e	**(260)**	(203)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) (negative amount)	f	**(555)**	(542)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	g	**523**	313
12	Negative amounts resulting from the calculation of expected loss amounts	h	**(95)**	(130)
14	Gains or losses on liabilities at fair value resulting from changes in own credit standing	i	**(53)**	(85)
15	Defined benefit pension fund assets (negative amount)	j	**(67)**	(51)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	k	**(20)**	(27)
28	**Total regulatory adjustments to common equity tier 1**		**(1,047)**	(1,276)
29	**Common Equity Tier 1 ('CET1') capital**		**20,326**	19,230

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

Ref*		Ref †	At 30 Jun 2024 £m	At 31 Dec 2023 £m
	Additional tier 1 ('AT1') capital: instruments			
30	Capital instruments and related share premium accounts		**3,930**	3,930
31	– classified as equity under IFRSs	l	**3,930**	3,930
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		**—**	—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in CET1) issued by subsidiaries and held by third parties	m	**12**	11
36	**Additional tier 1 capital before regulatory adjustments**		**3,942**	3,941
	Additional tier 1 capital: regulatory adjustments			
37	Direct and indirect holdings of own AT1 instruments (negative amount)		**—**	(47)
43	**Total regulatory adjustments to additional tier 1 capital**		**—**	(47)
44	**Additional tier 1 capital**		**3,942**	3,894
45	**Tier 1 capital (T1 = CET1 + AT1)**		**24,268**	23,124
	Tier 2 capital: instruments and provisions			
46	Capital instruments and related share premium accounts	n	**15,186**	14,222
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		**—**	—
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	o	**23**	36
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	p	**183**	145
51	**Tier 2 capital before regulatory adjustments**		**15,392**	14,403
	Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		**(10)**	(31)
55	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	q	**(356)**	(365)
57	**Total regulatory adjustments to tier 2 capital**		**(366)**	(396)
58	**Tier 2 capital**		**15,026**	14,007
59	**Total capital (TC = T1 + T2)**		**39,294**	37,131
60	**Total risk-weighted assets**		**113,191**	107,449
	Capital ratios and buffers (%)			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)		**17.96**	17.90
62	Tier 1 (as a percentage of total risk exposure amount)		**21.44**	21.52
63	Total capital (as a percentage of total risk exposure amount)		**34.71**	34.56
64	Institution CET1 overall capital requirement (per Art 92 (1) CRR, plus additional requirement in accordance with point (a) of Article 104(1) CRD, and combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)		**8.00**	7.86
65	– capital conservation buffer requirement		**2.50**	2.50
66	– countercyclical buffer requirement		**1.00**	0.86
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		**13.46**	13.40
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**759**	1,177
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)		**1,218**	1,169
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		**421**	507
	Applicable caps on the inclusion of provisions in tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		**285**	249
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**328**	325

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

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

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

Capital buffers

The geographical breakdown and institution specific countercyclical buffer ('CCyB') disclosures are provided in Appendix I on page 31 of this document.

Pillar 1 minimum capital requirements and RWA flow

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

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

Risk-weighted assets

Table OV1 below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type, and represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II. Equities under the simple risk weighted approach include off balance sheet collective investment undertakings equity exposures, calculated as per the PRA Rulebook Article 132(c) and Other counterparty credit risk includes securities financing transactions RWAs.

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

		At		
		30 Jun 2024	31 Mar 2024	**30 Jun 2024**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)**	**60,858**	61,833	**4,869**
2	– standardised approach (‘STD’)	**19,622**	21,177	**1,570**
3	– foundation internal ratings-based (‘FIRB’) approach	**15,359**	16,718	**1,229**
4	– slotting approach	**599**	512	**48**
UK-4a	– equities under the simple risk weighted approach	**3,216**	2,876	**257**
5	– advanced IRB (‘AIRB’) approach	**22,062**	20,550	**1,765**
6	**Counterparty credit risk (‘CCR’)**	**17,837**	17,866	**1,427**
7	– standardised approach	**4,474**	4,301	**358**
8	– internal model method (‘IMM’)	**6,676**	6,322	**534**
UK-8a	– exposures to a central counterparty	**348**	327	**28**
UK-8b	– credit valuation adjustment (‘CVA’)	**1,058**	1,294	**85**
9	– other counterparty credit risk	**5,281**	5,622	**422**
15	**Settlement risk**	**42**	33	**3**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,346**	3,318	**267**
17	– internal ratings-based approach (‘SEC-IRBA’)	**827**	823	**66**
18	– external ratings-based approach (‘SEC-ERBA’) (including internal assessment approach (‘IAA’))	**1,431**	1,505	**114**
19	– standardised approach (‘SEC-SA’)	**975**	877	**78**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (Market risk)**	**17,894**	17,109	**1,432**
21	– standardised approach	**3,907**	3,465	**313**
22	– internal models approach (‘IMA’)	**13,987**	13,644	**1,119**
23	**Operational risk**	**13,214**	13,271	**1,057**
UK-23b	– standardised approach	**13,214**	13,271	**1,057**
29	**Total**	**113,191**	113,430	**9,055**
24	*– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[1]*	***4,093***	*4,281*	***327***

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

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs fell by £(1.0)bn mainly driven by finalisation of disposal of HSBC Canada and favourable FX movements. This was offset by an increase due to methodology changes and credit risk parameter refinements, notably for CIU funds and supplemented by further increase driven by revision to our definition of default in our PD models for exposures to financial institutions.

Market risk

Market Risk RWAs rose by £0.8bn, mainly driven by incremental risk charge increase, resulting from higher positions. This was further supplemented by higher transactional and structural foreign exchange exposures and partially offset by a decrease in value at risk.

Operational risk

Operational Risk RWA fell by £(0.1)bn, mainly due to foreign exchange translation differences.

Table CR8 below presents the drivers of the quarterly movements of credit risk RWAs excluding counterparty credit risk and including free deliveries under the IRB approach. The table also excludes securitisation positions, equity exposures and non-credit obligation assets.

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

		Quarter ended			
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**39,604**	40,283	41,529	40,334
2	Asset size	**(195)**	2,383	(718)	1,018
3	Asset quality	**(99)**	178	(557)	379
4	Model updates	**350**	—	—	(239)
5	Methodology and policy	**360**	(569)	(112)	(570)
6	Acquisitions and disposals	**—**	(2,320)	487	(48)
7	Foreign exchange movements[1]	**(153)**	(351)	(346)	655
9	**RWAs at the closing period**	**39,867**	39,604	40,283	41,529

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

RWAs rise of £0.3bn under IRB approach is mainly driven by a £0.4bn increase from methodology changes and credit risk parameter refinements, notably for CIU funds and £0.3bn increase due to a revision to our definition of default in our PD models for exposures to financial institutions. This is offset by £(0.3)bn decrease due to balance sheet reduction in corporate lending and other financial assets, portfolio mix changes and the £(0.2)bn decrease due to favourable FX movements.

Table CCR7 below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach ('IMM').

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

		Quarter ended			
		30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,322**	6,231	6,530	6,246
2	Asset size	**(112)**	75	12	(18)
3	Credit quality of counterparties	**465**	(41)	(21)	26
7	Foreign exchange movement	**1**	57	(290)	276
9	**RWAs at the closing period**	**6,676**	6,322	6,231	6,530

RWAs under the IMM increased by £0.4bn mainly due to revision to our definition of default in our PD models for exposures to financial institutions, partly offset by a decrease in cash exposures.

Table MR2-B below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by VaR, SVaR, IRC and other models.

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

		VaR	**Stressed VaR**	**Incremental risk charge ('IRC')**	**Other**	**Total RWAs**	**Total own fund requirements**
Ref		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	**RWAs at 1 Apr 2024**	**4,029**	**7,432**	**1,450**	**733**	**13,644**	**1,092**
2	Movement in risk levels	**(230)**	**(186)**	**748**	**10**	**342**	**27**
3	Model updates/changes	**—**	**—**	**—**	**—**	**—**	**—**
6	Foreign exchange movements	**—**	**1**	**—**	**—**	**1**	**—**
8	**RWAs at 30 Jun 2024**	**3,799**	**7,247**	**2,198**	**743**	**13,987**	**1,119**
1	RWAs at 1 Jan 2024	3,909	6,410	1,765	732	12,816	1,025
2	Movement in risk levels	84	963	(331)	(6)	710	57
3	Model updates/changes	—	—	—	—	—	—
6	Foreign exchange movements	36	59	16	7	118	9
8	RWAs at 31 March 2024	4,029	7,432	1,450	733	13,644	1,092
1	RWAs at 1 Oct 2023	5,093	5,973	2,215	479	13,760	1,101
2	Movement in risk levels	(958)	702	(139)	205	(190)	(15)
3	Model updates/changes	—	—	(213)	69	(144)	(12)
6	Foreign exchange movements	(226)	(265)	(98)	(21)	(610)	(49)
8	RWAs at 31 Dec 2023	3,909	6,410	1,765	732	12,816	1,025
1	RWAs at 1 Jul 2023	4,894	5,107	1,850	558	12,409	993
2	Movement in risk levels	(17)	640	283	(104)	802	64
3	Model updates/changes	—	—	—	—	—	—
6	Foreign exchange movements	216	226	82	25	549	44
8	RWAs at 30 Sep 2023	5,093	5,973	2,215	479	13,760	1,101

RWAs under the internal model approach increased by £0.3bn, mainly due to IRC driven by higher positions. This was partially offset by a decrease in VaR and SVaR averages.

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

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

Ref		VaR	Stressed VaR	Incremental risk charge ('IRC')	Other	Total RWAs	Total own fund requirements
		£m	£m	£m	£m	£m	£m
1	**RWAs at 1 Apr 2024**	4,029	7,432	1,450	733	13,644	1,092
1a	Regulatory adjustment	(3,011)	(6,110)	(35)	—	(9,156)	(732)
1b	RWAs at the previous quarter-end (end of the day)	1,018	1,322	1,416	733	4,489	359
2	Movement in risk levels	(33)	44	782	10	804	64
8a	RWAs at the end of the disclosure period (end of the day)	985	1,366	2,198	743	5,292	423
8b	Regulatory adjustment	2,815	5,880	—	—	8,695	696
8	**RWAs at 30 Jun 2024**	3,799	7,247	2,198	743	13,987	1,119

Leverage ratio

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

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

For further details of our approach to risk appetite, see page 22 of the Annual Report and Accounts 2023.

Table UK LR2 - LRCom below provides a detailed breakdown of the components of our leverage exposure, including the split of the on and off-balance sheet exposures, leverage ratios, minimum requirements and buffers on an IFRS 9 transitional basis. The components of the leverage ratio on an average basis are also included below in accordance to UK's leverage ratio framework.

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

		At	
		30 Jun 2024	31 Dec 2023
Ref*		**£m**	£m
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**428,008**	402,780
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	**4,515**	4,296
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(33,541)**	(32,619)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	**(991)**	(985)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**397,991**	373,472
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**12,122**	14,767
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions (mark-to-market method)	**62,894**	61,257
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	**(9,743)**	(10,170)
11	Adjusted effective notional amount of written credit derivatives	**46,143**	49,700
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(44,863)**	(48,013)
13	**Total derivative exposures**	**66,553**	67,541
	Securities financing transaction ('SFT') exposures		
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**191,727**	189,789
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(114,330)**	(99,550)
16	Counterparty credit risk exposure for SFT assets	**5,844**	5,149
18	**Total securities financing transaction exposures**	**83,241**	95,388
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	**118,495**	116,510
20	(Adjustments for conversion to credit equivalent amounts)	**(72,766)**	(71,863)
22	**Total off-balance sheet exposures**	**45,729**	44,647

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

		At	
		30 Jun 2024	31 Dec 2023
Ref*		**£m**	£m
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(127)**	(200)
UK-22k	**(Total exempted exposures)**	**(127)**	(200)
	Capital and total exposures measure		
23	**Tier 1 capital (leverage)**	**24,268**	23,124
24	Total exposure measure including claims on central banks	**593,387**	580,848
UK-24a	(-) Claims on central banks excluded	**(121,928)**	(124,996)
UK-24b	**Total exposure measure excluding claims on central banks**	**471,459**	455,852
	Leverage ratios		
25	Leverage ratio excluding claims on central banks (%)	**5.15**	5.07
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.15**	5.07
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	**5.15**	5.07
UK-25c	Leverage ratio including claims on central banks (%)	**4.09**	3.98
26	Regulatory minimum leverage ratio requirement (%)	**3.25**	3.25
	Additional leverage ratio disclosure requirements – leverage ratio buffers		
27	Leverage ratio buffer (%)	**0.30**	0.30
UK-27b	of which: countercyclical leverage ratio buffer (%)	**0.30**	0.30
	Additional leverage ratio disclosure requirements – disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**84,709**	90,448
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**77,397**	90,239
UK-31	Average total exposure measure including claims on central banks	**593,616**	579,905
UK-32	Average total exposure measure excluding claims on central banks	**475,962**	449,733
UK-33	Average leverage ratio including claims on central banks (%)	**4.08**	4.10
UK-34	Average leverage ratio excluding claims on central banks (%)	**5.09**	5.29

Table UK LR1 - LRSum below provides a reconciliation of the total assets in our published balance sheet under IFRS and the total leverage exposure.

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

		At	
		30 Jun 2024	31 Dec 2023
Ref*		**£m**	£m
1	Total assets as per published financial statements	**714,376**	702,970
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(22,803)**	(22,582)
4	(Adjustment for exemption of exposures to central banks)	**(121,928)**	(124,996)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**(20,409)**	(8,349)
7	Adjustment for eligible cash pooling transactions	**(6,741)**	(7,509)
8	Adjustment for derivative financial instruments	**(125,090)**	(134,860)
9	Adjustment for securities financing transactions ('SFTs')	**5,694**	4,628
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**45,729**	44,647
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	**(991)**	(985)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	**(127)**	(200)
12	Other adjustments	**3,749**	3,088
13	**Total leverage ratio exposure**	**471,459**	455,852

Table UK LR3 - LRSpl below provides a breakdown of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures by asset class.

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

		At	
		30 Jun 2024	31 Dec 2023
Ref*		**£m**	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) of which:	**272,459**	245,007
UK-2	Trading book exposures	**100,014**	82,692
UK-3	Banking book exposures, *of which:*	**172,445**	162,315
UK-4	*Covered bonds*	***572***	*559*
UK-5	*Exposures treated as sovereigns*	***47,443***	*38,165*
UK-6	*Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	***397***	*212*
UK-7	*Institutions*	***13,145***	*13,070*
UK-8	*Secured by mortgages of immovable properties*	***7,937***	*22,107*
UK-9	*Retail exposures*	***8,110***	*2,414*
UK-10	*Corporate*	***60,374***	*50,985*
UK-11	*Exposures in default*	***1,667***	*1,626*
UK-12	*Other exposures (e.g. equity, securitisations and other non-credit obligation assets)*	***32,800***	*33,177*

Our leverage ratio was 5.1% at 30 June 2024, unchanged from 5.1% at 31 December 2023. The increase in leverage exposure was primarily due to growth in the balance sheet, which led to a fall of 0.2 percentage points in the leverage ratio. This was offset by a rise of 0.2 percentage points due to an increase in Tier 1 capital.

At 30 June 2024, our UK minimum leverage ratio requirement of 3.25% was supplemented by a countercyclical leverage ratio buffer of 0.30%. The leverage ratio is expressed in terms of Tier1 Capital but these buffers translated to CET1 capital values of £1.4bn. We exceeded these leverage requirements throughout 1H24.

At 30 June 2024, our average leverage ratio excluding central bank claims was 5.1%, a decline of 0.2% from 5.3% at 31 December 2023. This is mainly due to a fall of 0.3 percentage points in the average leverage exposure, which was driven by balance sheet growth, partly offset by a rise of 0.1 percentage point in the average Tier 1 capital.

Liquidity

Management of liquidity and funding risk

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

Liquidity coverage ratio

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

Our average LCR for 12 months to 30 June 2024 was consistent at 146% compared to 31 March 2024, and remained above regulatory minimum levels and HSBC Bank plc's Risk Appetite.

Net stable funding ratio

HSBC Bank plc uses a regulatory Net stable funding ratio ('NSFR') as a basis for establishing stable funding needs. The NSFR requires HSBC Bank plc to maintain sufficient stable funding and reflects its long-term funding profile (funding with a term of more than one year) commensurate with the risk profile of the balance sheet.

Our average NSFR over the previous four quarters to 30 June 2024 increased to 114% from 113% at 31 March 2024. We maintained sufficient stable funding relative to the required stable funding assessed using NSFR.

Internal Liquidity metric

In addition to regulatory metrics, HSBC Bank plc uses an internal liquidity metric ('ILM') to monitor and manage liquidity risk via a low-point measure across a 270-day horizon, taking into account recovery capacity through available management actions.

Currency mismatch in the LCR

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

Sources of funding

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

More details on the concentration of funding and liquidity sources may be found on page 74 of the Annual Report of Accounts 2023.

Table LIQ1 below sets out the granular split of cash outflows and cash inflows, as well as the available HQLA on both an unweighted and weighted basis, which are used to derive the LCR. The LCR, HQLA and net outflows are based on the average over the preceding 12 months. Amounts in the table relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.

Table 11: Quantitative information of LCR (LIQ1)

		Quarter ended							
UK-1a		**30 Jun 2024**		31 Mar 2024		31 Dec 2023		30 Sep 2023	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£m	**£m**	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages	**12**	**12**	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')		**104,346**		104,159		105,524		106,095
Cash outflows									
2	Retail deposits and small business funding	**17,764**	**2,732**	18,081	2,692	18,419	2,661	18,618	2,671
	– *of which:*								
3	*stable deposits*	***2,756***	***138***	*3,173*	*159*	*3,576*	*179*	*3,684*	*184*
4	*less stable deposits*	***15,008***	***2,594***	*14,907*	*2,534*	*14,843*	*2,482*	*14,909*	*2,487*
5	Unsecured wholesale funding	**138,595**	**75,658**	139,568	75,614	140,282	75,905	141,328	76,582
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**48,952**	**12,191**	49,498	12,328	49,727	12,387	49,470	12,323
7	– non-operational deposits (all counterparties)	**87,618**	**61,442**	88,328	61,544	88,807	61,770	90,403	62,805
8	– unsecured debt	**2,025**	**2,025**	1,742	1,742	1,748	1,748	1,455	1,455
9	Secured wholesale funding		**7,631**		8,825		9,216		8,688
10	Additional requirements	**39,759**	**20,399**	39,670	21,189	40,812	22,687	43,201	24,766
11	– outflows related to derivative exposures and other collateral requirements	**18,626**	**14,862**	18,836	15,655	19,893	17,078	21,369	18,843
13	– credit and liquidity facilities	**21,133**	**5,537**	20,834	5,534	20,919	5,609	21,831	5,924
14	Other contractual funding obligations	**20,547**	**8,751**	20,799	9,062	20,656	9,144	21,672	10,035
15	Other contingent funding obligations	**34,689**	**1,131**	35,176	1,117	39,468	1,014	45,566	870
16	**Total cash outflows**		**116,302**		118,501		120,627		123,613
Cash inflows									
17	Secured lending transactions (including reverse repos)	**109,697**	**17,974**	109,498	19,536	105,807	20,406	100,569	19,880
18	Inflows from fully performing exposures	**8,768**	**8,411**	8,849	8,474	8,788	8,418	9,711	9,327
19	Other cash inflows	**37,304**	**18,216**	38,934	19,360	40,259	20,693	41,814	22,820
20	**Total cash inflows**	**155,769**	**44,601**	157,280	47,370	154,854	49,517	152,094	52,027
UK-20c	Inflows subject to 75% cap[1]	**155,769**	**44,601**	157,280	47,370	154,854	49,517	152,094	52,027
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**104,346**		104,159		105,524		106,095
22	Total net cash outflows		**71,701**		71,131		71,110		71,586
23	Liquidity coverage ratio (%)		**146**		146		148		148

1 *We have updated the row UK-20c Inflows subject to 75% cap to include collateral swaps inflow. The comparatives have been realigned accordingly.*

Table LIQ2 below shows the components of the NSFR for unweighted values by residual maturity and the resultant weighted amounts. These amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis. The NSFR is the average of the preceding four quarters.

Table 12: Net Stable Funding Ratio (LIQ2)

		30 June 2024				
		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
		£m	£m	£m	£m	£m
Available stable funding ('ASF') Items						
1	Capital items and instruments[1]	22,857	611	659	14,395	37,274
2	– Own funds[1]	22,857	611	659	14,011	36,890
3	– Other capital instruments		—	—	384	384
4	Retail deposits		18,025	58	137	16,535
5	– Stable deposits		2,470	—	—	2,346
6	– Less stable deposits		15,555	58	137	14,189
7	Wholesale funding:		202,599	10,404	12,914	68,914
8	– Operational deposits		47,806	26	—	23,916
9	– Other wholesale funding		154,793	10,378	12,914	44,998
10	Interdependent liabilities		2,873	—	—	—
11	Other liabilities:	553	38,868	—	—	—
12	– NSFR derivative liabilities	553				
13	– All other liabilities and capital instruments not included in the above categories		38,868	—	—	—
14	**Total available stable funding ('ASF')**					122,723
Required stable funding ('RSF') Items						
15	Total high-quality liquid assets ('HQLA')					20,524
17	Performing loans and securities:		88,852	7,313	46,823	55,978
18	– Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		29,997	2,573	282	2,463
19	– Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		30,103	1,133	1,621	4,444
20	– Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs[2]		12,291	1,294	7,616	13,015
21	– *of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*[2]		*83*	*54*	*1,259*	*887*
22	– Performing residential mortgages[2]		51	48	2,101	1,540
23	– *of which: With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*[2]		*43*	*40*	*1,474*	*999*
24	– Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		16,410	2,265	35,203	34,516
25	Interdependent assets		—	—	2,929	—
26	Other assets:	—	59,416	—	18,367	29,636
27	– Physical traded commodities				2,733	2,323
28	– Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		11,054	—	—	9,396
29	– NSFR derivative assets		742	—	—	742
30	– NSFR derivative liabilities before deduction of variation margin posted		27,741	—	—	1,387
31	– All other assets not included in the above categories		19,879	—	15,634	15,788
32	Off-balance sheet items		25,916	11,648	18,561	1,982
33	**Total RSF**					108,120
34	Net Stable Funding Ratio (%)					114

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

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

1 From 30 Jun 2024 the table has been enhanced to include early redemption of capital. The comparatives have been realigned accordingly.
2 From 30 Jun 2024 the table has been enhanced to include weighted values for mortgages. The comparatives have been realigned accordingly.

Credit risk

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

Further details of our approach to credit risk may be found in 'Credit Risk' on page 15 of the Interim Report 2024.

Credit quality of assets

Table 13 provides information on the gross carrying amount of exposures and related impairment with further detail on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.
- Purchased or originated credit-impaired ('POCI'): Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses. A lifetime ECL is recognised. These exposures are included in Stage 3 in table 13.

For further details of credit-impaired (stage 3) exposures, see page 17 of the Interim Report 2024.

Table CR1 below breaks down the gross carrying amount of the performing and non-performing exposures and related impairments, and details of the collateral and financial guarantees received within each of the FINREP categories and definitions. Gross carrying amount includes reverse repos and settlement accounts, and the on-balance sheet exposures exclude assets held for sale. The staging analysis is non-additive as totals contain instruments not eligible for staging, such as those held at fair value through profit and loss.

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

		Gross carrying amount/ nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures			Non-performing exposures				
			of which: stage 1	*of which: stage 2*		*of which: stage 3*		*of which: stage 1*	*of which: stage 2*		*of which: stage 3*	Accumulated partial write-off	On performing exposures	On non-performing exposures
		£m	*£m*	*£m*	£m	*£m*	£m	*£m*	*£m*	£m	*£m*	£m	£m	£m
	At 30 Jun 2024													
005	Cash balances at central banks and other demand deposits[1]	128,128	*128,010*	*118*	—	*—*	(1)	*—*	*(1)*	—	*—*	—	—	—
010	**Loans and advances[1]**	180,717	*170,016*	*7,259*	2,317	*2,317*	(171)	*(73)*	*(98)*	(801)	*(801)*	(10)	105,646	665
020	Central banks	4,485	*4,435*	*51*	—	*—*	—	*—*	*(1)*	—	*—*	—	1,773	—
030	General governments	1,670	*1,557*	*113*	47	*47*	—	*—*	*—*	(2)	*(2)*	—	584	—
040	Credit institutions	35,391	*35,320*	*15*	—	*—*	(1)	*(1)*	*—*	—	*—*	—	23,931	—
050	Other financial corporations	71,269	*67,828*	*348*	87	*87*	(12)	*(8)*	*(3)*	(20)	*(20)*	—	41,320	1
060	Non-financial corporations	48,499	*42,635*	*5,570*	1,909	*1,909*	(122)	*(47)*	*(76)*	(697)	*(697)*	(10)	18,954	474
070	– *of which: SMEs*	*927*	*743*	*184*	*128*	*128*	*(9)*	*(3)*	*(6)*	*(72)*	*(72)*	*(10)*	*584*	*53*
080	Households	19,403	*18,241*	*1,162*	274	*274*	(36)	*(17)*	*(18)*	(82)	*(82)*	—	19,084	190
090	**Debt securities**	49,853	*49,415*	*64*	—	*—*	(29)	*(3)*	*(26)*	—	*—*	—	5,508	—
100	Central banks	269	*269*	*—*	—	*—*	—	*—*	*—*	—	*—*	—	—	—
110	General governments	36,270	*36,251*	*—*	—	*—*	(3)	*(2)*	*(1)*	—	*—*	—	3,550	—
120	Credit institutions	11,177	*11,139*	*38*	—	*—*	(1)	*(1)*	*—*	—	*—*	—	1,932	—
130	Other financial corporations	1,732	*1,626*	*13*	—	*—*	(12)	*—*	*(12)*	—	*—*	—	26	—
140	Non-financial corporations	405	*130*	*13*	—	*—*	(13)	*—*	*(13)*	—	*—*	—	—	—
150	**Off-balance-sheet exposures**	167,218	*134,103*	*7,006*	418	*212*	(41)	*(16)*	*(18)*	(32)	*(13)*		1,558	9
160	Central banks	704	*704*	*—*	—	*—*	(1)	*(1)*	*—*	—	*—*		—	—
170	General governments	2,346	*2,054*	*11*	—	*—*	(1)	*(1)*	*—*	—	*—*		—	—
180	Credit institutions	45,968	*43,270*	*125*	—	*—*	—	*—*	*—*	—	*—*		—	—
190	Other financial corporations	34,303	*28,936*	*2,417*	8	*6*	(8)	*(3)*	*(3)*	(1)	*(1)*		624	—
200	Non-financial corporations	82,563	*58,046*	*4,449*	408	*204*	(31)	*(11)*	*(15)*	(31)	*(12)*		880	9
210	Households	1,334	*1,093*	*4*	2	*2*	—	*—*	*—*	—	*—*		54	—
220	**Total**	525,916	*481,544*	*14,447*	2,735	*2,529*	(242)	*(92)*	*(143)*	(833)	*(814)*	(10)	112,712	674

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

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

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

Table CR1-A below presents the residual maturity breakdown of on- and off-balance sheet loans and debt securities. This table excludes on-balance sheet assets held for sale, cash balances with central banks and other demand deposits.

Table 14: Maturity of exposures (CR1-A)

		Net exposure value[1]					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		£m	£m	£m	£m	£m	£m
1	Loans and advances	**32,873**	**194,899**	**94,412**	**23,005**	**4,436**	**349,625**
2	Debt securities	**117**	**12,821**	**23,894**	**12,766**	**227**	**49,825**
3	**Total at 30 Jun 2024[1]**	**32,990**	**207,720**	**118,306**	**35,771**	**4,663**	**399,450**
1	Loans and advances	38,447	127,809	71,640	29,885	—	267,780
2	Debt securities	—	6,519	21,522	9,991	—	38,032
3	Total at 31 Dec 2023	38,447	134,328	93,162	39,876	—	305,812

1 *We have enhanced our disclosures to align with Table CR1 and now include forward asset purchases, securitisation positions, settlement accounts and off-balance assets held for sale. As a result, the loans and advances and debt securities increased by £57bn. Further reporting process improvements resulted in reclassifications of exposures between different maturity buckets. These changes are not included at 31 December 2023 and we estimate an increase of £48bn to the total net exposure value and the increase is primarily in the less than 1 year maturity bucket.*

Table CR2 below shows changes in gross carrying amount of on-balance sheet non-performing loans and advances during the 6 months to June.

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

		Half-year to 30 Jun	
		2024	2023
		Gross carrying value	Gross carrying value
		£m	£m
010	**Initial stock of non-performing loans and advances**	**2,359**	3,276
020	Inflows to non-performing portfolios	**397**	396
030	Outflows from non-performing portfolios	**(25)**	(547)
040	Outflows due to write-offs	**(19)**	(122)
050	Outflow due to other situations[1]	**(482)**	(644)
060	**Final stock of non-performing loans and advances**	**2,230**	2,359

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

Non-performing and forborne exposures

Tables 16 to 19 below are presented in accordance with the European Banking Authority's ('EBA') 'Guidelines on disclosure of non-performing and forborne exposures'.

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

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

In the Annual Report and Accounts 2023, forborne exposures are reported within the table 'Forborne loans and advances to customers at amortised cost by stage allocation'.

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

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

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

The PRA has acknowledged that, whilst the EBA's guidelines relating to the management of non-performing exposures and forborne exposures are not applicable in the UK, the prudential aspects of these guidelines broadly represent good credit risk management standards.

Table CQ1 below breaks down performing and non-performing forborne exposures by FINREP counterparty sector and showing the gross carrying amount, accumulated impairments and collateral and financial guarantees received against these exposures. The on-balance sheet exposures exclude assets held for sale.

Table 16: Credit quality of forborne exposures (CQ1)

		Gross carrying amount/ nominal amount				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
			Non-performing forborne						
		Performing forborne	**Total**	***of which: defaulted***	***of which: impaired***	**On performing forborne exposures**	**On non-performing forborne exposures**	**Total**	***of which: forborne non-performing exposures***
		£m	**£m**	***£m***	***£m***	**£m**	**£m**	**£m**	***£m***
	At 30 Jun 2024								
010	**Loans and advances**	**1,363**	**1,215**	***1,215***	***1,215***	**(13)**	**(336)**	**898**	***245***
050	Other financial corporations	**5**	**10**	***10***	***10***	**—**	**(3)**	**6**	***1***
060	Non-financial corporations	**1,285**	**1,078**	***1,078***	***1,078***	**(10)**	**(293)**	**739**	***159***
070	Households	**73**	**127**	***127***	***127***	**(3)**	**(40)**	**153**	***85***
090	**Loan commitments given**	**15**	**95**	***95***	***95***	**—**	**1**	**—**	***—***
100	**Total**	**1,378**	**1,310**	***1,310***	***1,310***	**(13)**	**(335)**	**898**	***245***
	At 31 Dec 2023								
010	Loans and advances	1,633	940	*940*	*940*	(19)	(313)	795	*219*
050	Other financial corporations	36	3	*3*	*3*	(1)	(3)	—	*—*
060	Non-financial corporations	1,509	809	*809*	*809*	(13)	(270)	626	*132*
070	Households	88	128	*128*	*128*	(5)	(40)	169	*87*
090	Loan commitments given	14	89	*89*	*89*	—	—	1	*—*
100	Total	1,647	1,029	*1,029*	*1,029*	(19)	(313)	796	*219*

Table CQ7 provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance sheet, while the accumulated negative changes are the accumulated impairment or negative change in the value of the collateral since initial recognition, including amortisation in the case of property, plant and equipment and investment properties.

Table 17: Collateral obtained by taking possession and execution processes (CQ7)

		At 30 Jun 2024		At 31 Dec 2023	
		Collateral obtained by taking possession		Collateral obtained by taking possession	
		Value at initial recognition	**Accumulated negative changes**	Value at initial recognition	Accumulated negative changes
		£m	**£m**	£m	£m
020	Other than property, plant and equipment ('PP&E')	**9.6**	**(0.4)**	3.7	(0.5)
030	– Residential immovable property	**0.9**	**(0.3)**	1.6	(0.4)
040	– Commercial immovable property	**1.7**	**(0.1)**	2.1	(0.1)
070	– Other	**7.0**	**—**	—	—
080	**Total**	**9.6**	**(0.4)**	3.7	(0.5)

Concentration risk

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

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

Table CQ4 shows the credit quality of on and off balance sheet exposures by geography. The geographical breakdown is based on the country or territory of residence of the immediate counterparty. The on-balance sheet exposures exclude cash and balances at central banks, and assets held for sale. Countries that are contributing 10% more of the total on-balance sheet and off-balance sheet exposures respectively, are separately disclosed in the table and the remaining exposures are aggregated within 'other countries'.

Table 18: Quality of non-performing exposures by geography (CQ4)

		Gross carrying/ nominal amount			
		Total	*of which: defaulted*	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given
		£m	*£m*	£m	£m
010	**On balance sheet exposures**	**232,887**	***2,317***	**(1,001)**	
020	United Kingdom	**54,663**	***366***	**(203)**	
030	France	**39,937**	***874***	**(429)**	
040	United States	**33,606**	***34***	**(6)**	
070	Other countries	**104,681**	***1,043***	**(363)**	
080	**Off balance sheet exposures**	**167,636**	***418***		**73**
090	France	**30,979**	***97***		**19**
100	United Kingdom	**25,188**	***21***		**12**
110	Germany	**24,555**	***129***		**4**
140	Other countries	**86,914**	***171***		**38**
150	**Total at 30 Jun 2024**	**400,523**	***2,735***	**(1,001)**	**73**
010	On balance sheet exposures	209,474	*2,343*	(1,105)	
020	United Kingdom	47,778	*166*	(156)	
030	France	33,167	*891*	(426)	
040	United States	25,174	*34*	(12)	
070	Other countries	103,355	*1,252*	(511)	
080	Off balance sheet exposures	154,541	*461*		83
090	United Kingdom	23,134	*16*		11
100	France	30,874	*75*		20
110	United States	5,091	*7*		3
140	Other countries	95,442	*363*		49
150	Total at 31 Dec 2023	364,015	*2,804*	(1,105)	83

Table CQ5 below shows the gross carrying amount of loans and advances to non-financial corporations, the related accumulated impairment, and the accumulated changes in fair value to credit risk by industry types. The on-balance sheet exposures exclude assets held for sale.

Table 19: Credit quality of loans and advances to non-financial corporations by industry (CQ5)

		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	*of which: defaulted*		
		£m	*£m*	£m	£m
010	Agriculture, forestry and fishing	**387**	***22***	**(8)**	**—**
020	Mining and quarrying	**1,009**	***191***	**(4)**	**—**
030	Manufacturing	**11,757**	***336***	**(134)**	**—**
040	Electricity, gas, steam and air conditioning supply	**1,285**	***61***	**(7)**	**—**
050	Water supply	**424**	***3***	**—**	**—**
060	Construction	**539**	***21***	**(14)**	**—**
070	Wholesale and retail trade	**9,297**	***215***	**(118)**	**—**
080	Transport and storage	**2,888**	***156***	**(136)**	**—**
090	Accommodation and food service activities	**967**	***25***	**(16)**	**—**
100	Information and communication	**2,905**	***79***	**(37)**	**—**
110	Real estate activities	**4,515**	***227***	**(67)**	**—**
120	Financial and insurance activities[1]	**37**	***—***	**—**	**—**
130	Professional, scientific and technical activities	**6,588**	***347***	**(185)**	**—**
140	Administrative and support service activities	**5,824**	***151***	**(70)**	**—**
150	Public administration and defense, compulsory social security	**4**	***—***	**—**	**—**
160	Education	**20**	***—***	**—**	**—**
170	Human health services and social work activities	**83**	***5***	**(2)**	**—**
180	Arts, entertainment and recreation	**44**	***2***	**(1)**	**—**
190	Other services	**1,833**	***68***	**(18)**	**—**
200	**Total at 30 Jun 2024**	**50,408**	***1,909***	**(819)**	**—**
010	Agriculture, forestry and fishing	342	*28*	(10)	—
020	Mining and quarrying	903	*162*	(4)	—
030	Manufacturing	10,855	*349*	(147)	—
040	Electricity, gas, steam and air conditioning supply	1,523	*69*	(9)	—
050	Water supply	406	*5*	(4)	—
060	Construction	653	*39*	(23)	—
070	Wholesale and retail trade	10,022	*188*	(119)	—
080	Transport and storage	3,218	*151*	(110)	—
090	Accommodation and food service activities	985	*38*	(17)	—
100	Information and communication	3,458	*28*	(33)	—
110	Real estate activities	4,591	*184*	(63)	—
120	Financial and insurance activities	45	*7*	(2)	—
130	Professional, scientific and technical activities	6,015	*327*	(174)	—
140	Administrative and support service activities	5,587	*115*	(71)	—
150	Public administration and defense, compulsory social security	5	*—*	—	—
160	Education	46	*1*	—	—
170	Human health services and social work activities	166	*5*	(2)	—
180	Arts, entertainment and recreation	124	*3*	(3)	—
190	Other services	1,795	*64*	(23)	—
200	Total at 31 Dec 2023	50,739	*1,763*	(814)	—

Risk mitigation

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

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

Table CR3 provides a breakdown of loans and advances and debt securities by different credit risk mitigation techniques. The on-balance sheet exposures exclude assets held for sale.

Table 20: Credit risk mitigation techniques – overview (CR3)

		Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
		£m	£m	£m	£m
1	Loans and advances	**203,877**	**106,312**	**89,131**	**17,180**
2	Debt securities	**44,316**	**5,508**	**—**	**5,508**
3	**Total at 30 Jun 2024**	**248,193**	**111,820**	**89,131**	**22,688**
4	*– of which: non-performing exposures*	***851***	***665***	***453***	***212***
5	*– of which: defaulted*	***851***	***665***		
1	Loans and advances	189,220	102,863	85,744	17,119
2	Debt securities	34,228	4,746	—	4,746
3	Total at 31 Dec 2023	223,448	107,609	85,744	21,865
4	*– of which: non-performing exposures*	*1,011*	*443*	*253*	*190*
5	*– of which: defaulted*	*1,011*	*443*		

Table CR4 presents the split of credit risk exposures under the standardised approach, reflecting EAD before and after the impact of CRM techniques and credit conversion factors ('CCF'). Securitisation positions are not included in this table. Collective investment undertakings includes equity calculated under the look-through approach using the equity simple risk-weight method.

Table 21: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
	Asset classes						
1	Central governments or central banks	**133,808**	**1,627**	**141,344**	**1,628**	**1,114**	**1**
2	Regional governments or local authorities	**1,743**	**—**	**3,911**	**15**	**1**	**—**
3	Public sector entities	**5,243**	**116**	**33**	**—**	**7**	**20**
4	International organisations	**3,130**	**—**	**3,130**	**—**	**—**	**—**
5	Institutions	**4,346**	**1,910**	**4,449**	**1,389**	**1,780**	**30**
6	Corporates	**8,622**	**4,939**	**12,632**	**1,447**	**8,635**	**61**
7	Retail	**5,588**	**1,018**	**441**	**147**	**424**	**72**
8	Secured by mortgages on immovable property	**5,876**	**90**	**5,876**	**21**	**2,734**	**46**
9	Exposures in default	**354**	**67**	**333**	**27**	**435**	**121**
10	Exposures associated with particularly high risk	**72**	**15**	**72**	**7**	**119**	**150**
11	Collective investment undertakings	**302**	**—**	**302**	**—**	**302**	**100**
12	Equity	**1,632**	**—**	**1,632**	**—**	**3,458**	**212**
13	Other items	**2,324**	**—**	**2,324**	**—**	**602**	**26**
14	**Total at 30 Jun 2024**	**178,172**	**10,141**	**181,830**	**4,874**	**19,622**	**11**

Table 21: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4) (continued)

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWAs density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWAs density
		£m	£m	£m	£m	£m	%
1	Central governments or central banks	135,148	1,657	142,579	1,212	1,259	1
2	Regional governments or local authorities	1,426	87	3,054	31	1	—
3	Public sector entities	4,144	55	34	—	7	21
4	International organisations	2,071	—	2,071	—	—	—
5	Institutions	4,894	2,896	4,972	2,067	2,052	29
6	Corporates	6,884	4,012	5,873	848	6,212	92
7	Retail	538	1,184	484	151	452	71
8	Secured by mortgages on immovable property	4,209	103	4,209	24	1,967	46
9	Exposures in default	254	30	240	19	304	117
10	Exposures associated with particularly high risk	68	13	68	5	110	150
11	Collective investment undertakings	304	—	304	—	304	100
12	Equity	1,681	—	1,681	—	3,453	205
13	Other items	2,536	—	2,536	—	845	33
14	Total at 31 Dec 2023	167,663	10,399	171,818	4,549	16,966	10

Table CR7 provides a breakdown of IRB credit risk RWAs before and after credit derivatives CRM effects. The table excludes securitisation positions, equity, corporate slotting exposures and non-credit obligation assets.

Table 22: IRB – Effect on the RWA of credit derivatives used as CRM techniques (CR7)

		At 30 Jun 2024		At 31 Dec 2023	
		Pre-credit derivatives RWAs	**Actual RWAs**	Pre-credit derivatives RWAs	Actual RWAs
		£m	**£m**	£m	£m
1	**Exposures under FIRB**	**15,639**	**15,359**	15,668	15,315
2	Central governments and central banks	**6**	**6**	6	6
3	Institutions	**1**	**1**	2	2
4	Corporates	**15,632**	**15,352**	15,659	15,306
4.1	– *of which SMEs*	***51***	***51***	*54*	*54*
4.3	– *of which others*	***15,581***	***15,301***	*15,605*	*15,252*
5	**Exposures under AIRB**	**20,837**	**20,693**	21,447	21,380
6	Central governments and central banks	**2,602**	**2,602**	2,119	2,119
7	Institutions	**2,677**	**2,658**	1,803	1,788
8	Corporates	**14,909**	**14,784**	14,014	13,962
8.1	– *of which SMEs*	***97***	***97***	*30*	*30*
8.2	– *of which specialised lending*	***316***	***316***	*535*	*535*
8.3	– *of which others*	***14,496***	***14,371***	*13,449*	*13,396*
9	Retail	**649**	**649**	3,511	3,511
9.1	– *of which immovable property SMEs*	***82***	***82***	*139*	*139*
9.2	– *of which immovable property non-SMEs*	***193***	***193***	*2,109*	*2,109*
9.3	– *of which qualifying revolving*	***68***	***68***	*68*	*68*
9.4	– *of which other SMEs*	***242***	***242***	*302*	*302*
9.5	– *of which other non-SMEs*	***64***	***64***	*894*	*894*
10	**Total (including FIRB exposures and AIRB exposures)**	**36,476**	**36,052**	37,115	36,695

The below table CR7-A discloses percentage of exposures secured by various CRM techniques, separately for each exposure class in AIRB and FIRB approaches. Specialised lending exposures under the slotting approach are disclosed separately in the table.

Table 23: 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 collaterals (%)				Part of exposures covered by Other funded credit protection (%)			
AIRB		**Total exposures**	**Part of exposures covered by Financial Collaterals**	**Total**	**Part of exposures covered by Immovable property collaterals**	**Part of exposures covered by receivables**	**Part of exposures covered by Other physical collateral**	**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**
		£m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
1	Central governments and central banks	**20,965**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	—	—	—	—
2	Institutions	**10,752**	**0.10**	**0.00**	**0.00**	**0.00**	**0.00**	—	—	—	—
3	Corporates	**41,241**	**10.10**	**6.40**	**5.00**	**1.00**	**0.30**	—	—	—	—
3.1	– *of which Corporates – SMEs*	***102***	***0.20***	***48.10***	***47.10***	***1.00***	***0.10***	—	—	—	—
3.2	*Corporates – Specialised lending*	***944***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	—	—	—	—
3.3	*Corporates – Other*	***40,195***	***10.50***	***6.50***	***5.20***	***1.00***	***0.40***	—	—	—	—
4	Retail	**5,237**	**42.10**	**41.90**	**41.10**	**0.80**	**0.00**	—	—	—	—
4.1	– *of which: Retail – Immovable property SMEs*	***153***	***0.20***	***100.00***	***98.10***	***1.90***	***0.00***	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	***2,001***	***0.00***	***100.00***	***100.00***	***0.00***	***0.00***	—	—	—	—
4.3	*Retail – Qualifying revolving*	***218***	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	—	—	—	—
4.4	*Retail – Other SMEs*	***630***	***2.30***	***6.30***	***0.00***	***6.10***	***0.10***	—	—	—	—
4.5	*Retail – Other non-SMEs*	***2,235***	***98.10***	***0.00***	***0.00***	***0.00***	***0.00***	—	—	—	—
5	**Total at 30 Jun 2024**	**78,194**	**8.00**	**6.00**	**5.30**	**0.60**	**0.20**	—	—	—	—
FIRB											
1	Central governments and central banks	—	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	—	—	—	—
2	Institutions	—	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	—	—	—	—
3	Corporates	**56,324**	**36.40**	**2.10**	**1.40**	**0.80**	**0.00**	—	—	—	—
3.1	– *of which: Corporates – SMEs*	***107***	***12.30***	***4.20***	***4.20***	***0.00***	***0.00***	—	—	—	—
3.2	*Corporates – Specialised lending*	—	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	—	—	—	—
3.3	*Corporates – Other*	***56,217***	***36.40***	***2.10***	***1.40***	***0.80***	***0.00***	—	—	—	—
4	**Total at 30 Jun 2024**	**56,324**	**36.40**	**2.10**	**1.40**	**0.80**	**0.00**	—	—	—	—
IRB											
	Specialised lending under the slotting approach	**899**	—	—	—	—	—	—	—	—	—
	Equity Exposures	**1,621**	—	—	—	—	—	—	—	—	—

Table 23: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

		Unfunded credit Protection (UFCP)		Credit risk mitigation methods in the calculation of RWAs	
AIRB		**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**
		%	**%**	**£m**	**£m**
1	Central governments and central banks	**0.00**	**0.00**	**2,552**	**2,602**
2	Institutions	**0.40**	**0.00**	**2,634**	**2,658**
3	Corporates	**1.10**	**0.00**	**14,817**	**14,784**
3.1	– *of which:* *Corporates – SMEs*	***0.00***	***0.00***	***97***	***97***
3.2	*Corporates – specialised lending*[1]	***3.80***	***0.00***	***331***	***316***
3.3	*Corporates – other*	***1.10***	***0.00***	***14,389***	***14,371***
4	Retail	**0.00**	**0.00**	**649**	**649**
4.1	– *of which:* *Retail – immovable property SMEs*	***0.00***	***0.00***	***82***	***82***
4.2	*Retail – immovable property non-SMEs*	***0.00***	***0.00***	***193***	***193***
4.3	*Retail – qualifying revolving*	***0.00***	***0.00***	***68***	***68***
4.4	*Retail – other SMEs*	***0.00***	***0.00***	***242***	***242***
4.5	*Retail – other non-SMEs*	***0.00***	***0.00***	***64***	***64***
5	**Total at 30 Jun 2024**	**0.60**	**0.00**	**20,651**	**20,693**
FIRB					
1	Central governments and central banks	**0.00**	**0.00**	**0**	**6**
2	Institutions	**0.00**	**0.00**	**0**	**1**
3	Corporates	**0.00**	**0.00**	**15,415**	**15,352**
3.1	– *of which:* *Corporates – SMEs*	***0.00***	***0.00***	***51***	***51***
3.2	*Corporates – specialised lending*	***0.00***	***0.00***	***0***	***0***
3.3	*Corporates – other*	***0.00***	***0.00***	***15,364***	***15,301***
4	**Total at 30 Jun 2024**	**0.00**	**0.00**	**15,415**	**15,359**
IRB					
	Specialised lending under the slotting approach	**0.00**	**0.00**	**599**	**599**
	Equity Exposures	**0.00**	**0.00**	**3,216**	**3,216**

Table 23: 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 collaterals (%)				Part of exposures covered by Other funded credit protection (%)			
AIRB		Total exposures	Part of exposures covered by Financial Collaterals	Total	Part of exposures covered by Immovable property collaterals	Part of exposures covered by receivables	Part of exposures covered by Other physical collateral	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
		£m	%	%	%	%	%	%	%	%	%
1	Central governments and central banks	17,022	0.00	0.00	0.00	0.00	0.00	—	—	—	—
2	Institutions	10,553	13.40	0.00	0.00	0.00	0.00	—	—	—	—
3	Corporates	36,387	2.40	6.90	5.50	1.00	0.40	—	—	—	—
3.1	*– of which Corporates – SMEs*	*54*	*0.00*	*46.30*	*44.40*	*1.90*	*0.00*	—	—	—	—
3.2	*Corporates – Specialised lending*	*1,342*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	—	—	—	—
3.3	*Corporates – Other*	*34,991*	*2.60*	*7.30*	*5.70*	*1.10*	*0.50*	—	—	—	—
4	Retail	21,437	5.50	29.70	29.50	0.10	0.00	—	—	—	—
4.1	*– of which: Retail – Immovable property SMEs*	*251*	*4.20*	*93.90*	*92.60*	*1.20*	*0.00*	—	—	—	—
4.2	*Retail – Immovable property non-SMEs*	*17,970*	*0.90*	*33.90*	*33.90*	*0.00*	*0.00*	—	—	—	—
4.3	*Retail – Qualifying revolving*	*218*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	—	—	—	—
4.4	*Retail – Other SMEs*	*855*	*10.30*	*3.40*	*0.00*	*3.20*	*0.20*	—	—	—	—
4.5	*Retail – Other non-SMEs*	*2,143*	*43.20*	*0.00*	*0.00*	*0.00*	*0.00*	—	—	—	—
5	Total at 31 Dec 2023	85,397	4.00	10.20	9.50	0.50	0.20	—	—	—	—
FIRB											
1	Central governments and central banks	—	0.00	0.00	0.00	0.00	0.00	—	—	—	—
2	Institutions	—	0.00	0.00	0.00	0.00	0.00	—	—	—	—
3	Corporates	53,425	36.90	1.60	1.20	0.40	0.00	—	—	—	—
3.1	*– of which: Corporates – SMEs*	*118*	*14.40*	*4.50*	*4.50*	*0.00*	*0.00*	—	—	—	—
3.2	*Corporates – Specialised lending*	—	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	—	—	—	—
3.3	*Corporates – Other*	*53,307*	*37.00*	*1.60*	*1.20*	*0.40*	*0.00*	—	—	—	—
4	Total at 31 Dec 2023	53,425	36.90	1.60	1.20	0.40	0.00	—	—	—	—
IRB											
	Specialised lending under the slotting approach	899	—	—	—	—	—	—	—	—	—
	Equity Exposures	1,495	—	—	—	—	—	—	—	—	—

Table 23: IRB approach – Disclosure of the extent of the use of CRM techniques (CR7-A) (continued)

AIRB		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
		%	%	£m	£m
1	Central governments and central banks	0.00	0.00	2,083	2,119
2	Institutions	0.00	0.00	1,801	1,788
3	Corporates	1.30	0.00	13,959	13,962
3.1	– *of which:* *Corporates – SMEs*	*0.00*	*0.00*	*30*	*30*
3.2	*Corporates – specialised lending*	*3.80*	*0.00*	*535*	*535*
3.3	*Corporates – other*	*1.20*	*0.00*	*13,394*	*13,396*
4	Retail	54.80	0.00	3,511	3,511
4.1	– *of which:* *Retail – immovable property SMEs*	*0.20*	*0.00*	*139*	*139*
4.2	*Retail – immovable property non-SMEs*	*65.20*	*0.00*	*2,109*	*2,109*
4.3	*Retail – qualifying revolving*	*0.00*	*0.00*	*68*	*68*
4.4	*Retail – other SMEs*	*1.60*	*0.00*	*302*	*302*
4.5	*Retail – other non-SMEs*	*0.60*	*0.00*	*894*	*894*
5	Total at 31 Dec 2023	13.90	0.00	21,354	21,380
FIRB					
1	Central governments and central banks	0.00	0.00	0	6
2	Institutions	0.00	0.00	0	2
3	Corporates	0.00	0.00	15,357	15,306
3.1	– *of which:* *Corporates – SMEs*	*0.00*	*0.00*	*54*	*54*
3.2	*Corporates – specialised lending*	*0.00*	*0.00*	*0*	*0*
3.3	*Corporates – other*	*0.00*	*0.00*	*15,303*	*15,252*
4	Total at 31 Dec 2023	0.00	0.00	15,357	15,315
IRB					
	Specialised lending under the slotting approach	0.00	0.00	599	599
	Equity Exposures	0.00	0.00	2,990	2,990

Table CR10 sets out the specialised lending exposures by different regulatory slotting categories split by remaining maturity. It also includes a separate disclosure of equity exposures under the simple risk-weighted approach. Off-balance sheet CIU equity exposures are calculated as per CRR II Article 132(c).

Table 24: Specialised lending and equity exposures under the simple risk-weighted approach (CR10)

Specialised lending: Project finance (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**5**	**—**	**50**	**5**	**2**	**—**
	Equal to or more than 2.5 years	**19**	**41**	**70**	**58**	**34**	**—**
Category 2	Less than 2.5 years	**14**	**—**	**70**	**14**	**10**	**—**
	Equal to or more than 2.5 years	**53**	**—**	**90**	**53**	**47**	**—**
Category 3	Less than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**14**	**15**	**115**	**18**	**15**	**1**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**—**	**—**	**0**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**0**	**—**	**—**	**—**
Total at 30 Jun 2024	Less than 2.5 years	**18**	**—**	**0**	**18**	**12**	**—**
	Equal to or more than 2.5 years	**86**	**55**		**128**	**96**	**1**
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	—	—	70	—	—	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	3	—	90	3	2	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	0	—	—	—
	Equal to or more than 2.5 years	—	—	0	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	—	—	0	—	—	—
	Equal to or more than 2.5 years	3	—	0	3	2	—

Specialised lending: Income-producing real estate and high volatility commercial real estate (Slotting approach)		**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected loss**
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**350**	**32**	**50**	**378**	**189**	**—**
	Equal to or more than 2.5 years	**70**	**—**	**70**	**70**	**49**	**—**
Category 2	Less than 2.5 years	**122**	**14**	**70**	**133**	**88**	**1**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
Category 3	Less than 2.5 years	**84**	**—**	**115**	**84**	**97**	**2**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**11**	**—**	**250**	**11**	**28**	**1**
	Equal to or more than 2.5 years	**10**	**—**	**250**	**10**	**25**	**1**
Category 5	Less than 2.5 years	**41**	**—**	**—**	**41**	**—**	**21**
	Equal to or more than 2.5 years	**—**	**—**	**—**	**—**	**—**	**—**
Total at 30 Jun 2024	Less than 2.5 years	**609**	**46**	**—**	**647**	**402**	**24**
	Equal to or more than 2.5 years	**80**	**—**		**80**	**74**	**1**
Category 1	Less than 2.5 years	239	26	50	262	131	—
	Equal to or more than 2.5 years	205	26	70	232	140	1
Category 2	Less than 2.5 years	206	36	70	233	163	1
	Equal to or more than 2.5 years	22	16	90	35	24	—
Category 3	Less than 2.5 years	108	2	115	108	124	3
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	—	—	—	—	—	—
Total at 31 Dec 2023	Less than 2.5 years	554	64	—	604	418	4
	Equal to or more than 2.5 years	228	43	—	266	164	1

Table 24: Specialised lending and equity exposures under the simple risk-weighted approach (CR10) (continued)

Specialised lending: Object finance (Slotting approach)		On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected loss
Regulatory categories	**Remaining maturity**	**£m**	**£m**	**%**	**£m**	**£m**	**£m**
Category 1	Less than 2.5 years	**—**	**—**	**50**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**22**	**—**	**70**	**22**	**16**	**—**
Category 2	Less than 2.5 years	**—**	**—**	**70**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**90**	**—**	**—**	**—**
Category 3	Less than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**115**	**—**	**—**	**—**
Category 4	Less than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
	Equal to or more than 2.5 years	**—**	**—**	**250**	**—**	**—**	**—**
Category 5	Less than 2.5 years	**1**	**—**	**—**	**1**	**—**	**—**
	Equal to or more than 2.5 years	**2**	**—**	**—**	**2**	**—**	**1**
Total at 30 Jun 2024	Less than 2.5 years	**1**	**—**	**—**	**1**	**—**	**—**
	Equal to or more than 2.5 years	**24**	**—**		**24**	**16**	**1**
Category 1	Less than 2.5 years	—	—	50	—	—	—
	Equal to or more than 2.5 years	22	—	70	22	15	—
Category 2	Less than 2.5 years	—	—	70	—	—	—
	Equal to or more than 2.5 years	—	—	90	—	—	—
Category 3	Less than 2.5 years	—	—	115	—	—	—
	Equal to or more than 2.5 years	—	—	115	—	—	—
Category 4	Less than 2.5 years	—	—	250	—	—	—
	Equal to or more than 2.5 years	—	—	250	—	—	—
Category 5	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	2	—	—	2	—	1
Total at 31 Dec 2023	Less than 2.5 years	—	—	—	—	—	—
	Equal to or more than 2.5 years	24	—	—	24	15	1

Equity exposures under simple risk weighted approach	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	RWAs	Expected losses
Regulatory categories	**$m**	**$m**	**%**	**$m**	**$m**	**$m**
Private equity exposures	**1,285**	**—**	**190**	**1,285**	**2,441**	**10**
Exchange-traded equity exposures	**—**	**—**	**290**	**—**	**—**	**—**
Other equity exposures	**—**	**—**	**370**	**—**	**—**	**—**
Off balance sheet CIU equity exposures	**—**	**670**	**—**	**376**	**775**	**3**
Total at 30 Jun 2024	**1,285**	**670**		**1,661**	**3,216**	**13**
Private equity exposures	1,224	—	190	1,224	2,326	10
Exchange-traded equity exposures	—	—	290	—	—	—
Other equity exposures	—	—	370	—	—	—
Off balance sheet CIU equity exposures	—	541	—	271	664	2
Total at 31 Dec 2023	1,224	541		1,495	2,990	12

Appendix I

Countercyclical capital buffer

Table CCyB1 below discloses the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer ('CCyB') under Article 440 of CRR II. Exposures to central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from those presented in the credit and counterparty credit risk sections.

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

Table 25: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CCyB1)

	General credit exposures		Relevant credit exposures Market risk		Securiti-sation 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*	*Securiti-sation positions in the non trading book*	Total	Risk weighted exposure amounts	Share of total own funds require-ments	CCyB rate
Country	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	***£m***	***£m***	***£m***	**£m**	**£m**	**%**	**%**
Australia	3	476	—	4	—	483	*12*	*1*	—	13	161	0.23	1.00
Armenia	413	20	—	—	—	432	*27*	—	—	27	338	0.48	1.50
Belgium	81	913	3	6	—	1,003	*33*	*2*	—	34	429	0.61	0.50
Bermuda	1,225	1,074	—	1	—	2,301	*86*	—	—	86	1,079	1.53	—
Bulgaria	—	6	—	1	—	7	—	—	—	—	6	0.01	2.00
Cayman Islands	110	2,187	—	—	—	2,296	*110*	—	—	110	1,374	1.95	—
Chile	11	80	—	176	—	268	*2*	*11*	—	13	164	0.23	0.50
Czech Republic	54	329	—	15	—	398	*18*	*6*	—	24	295	0.42	1.75
Denmark	—	989	—	10	—	998	*36*	*1*	—	37	460	0.65	2.50
Estonia	—	—	—	—	—	—	—	—	—	—	—	0.00	1.50
France	7,719	17,859	115	93	4,082	29,868	*806*	*10*	*58*	874	10,931	15.49	1.00
Germany	547	11,999	109	76	755	13,486	*476*	*11*	*10*	497	6,206	8.80	0.75
Hong Kong	28	429	—	3	—	459	*10*	*1*	—	11	142	0.20	1.00
Iceland	—	—	—	—	—	—	—	—	—	—	1	0.00	2.50
Ireland	387	3,275	608	18	640	4,927	*91*	*13*	*8*	112	1,401	1.99	1.50
Israel	206	1,217	—	10	—	1,432	*50*	*2*	—	52	647	0.92	—
Italy	137	1,597	254	56	249	2,293	*64*	*18*	*3*	86	1,070	1.52	—
Jersey	340	2,147	—	—	—	2,487	*72*	—	—	72	906	1.28	—
Korea, Republic Of	22	2	—	5	—	28	—	*2*	—	2	28	0.04	1.00
Lithuania	1	—	—	1	—	1	—	—	—	—	1	0.00	1.00
Croatia	—	—	—	—	—	—	—	—	—	—	—	0.00	1.50
Luxembourg	613	4,829	70	47	—	5,559	*215*	*10*	—	226	2,821	4.00	0.50
Malta	2,431	267	—	—	—	2,698	*111*	—	—	111	1,391	1.97	—
Netherlands	819	5,405	274	82	1,060	7,639	*208*	*41*	*11*	260	3,248	4.60	2.00
Norway	—	134	—	14	—	149	*3*	*2*	—	5	67	0.09	2.50
Poland	361	484	—	1	—	845	*44*	—	—	45	558	0.79	—
Romania	—	6	—	1	—	8	—	—	—	—	3	0.00	1.00
Cyprus	55	56	—	—	—	111	*3*	—	—	3	34	0.05	1.00
Saudi Arabia	141	580	—	95	—	817	*12*	*34*	—	46	579	0.82	—
Slovakia	—	42	—	2	—	43	*1*	—	—	1	12	0.02	1.50
Slovenia	2	—	—	1	—	4	—	*1*	—	2	20	0.03	0.50
South Africa	337	473	—	19	—	829	*43*	*6*	—	49	607	0.86	—
Spain	372	1,855	32	10	183	2,452	*96*	*9*	*1*	106	1,326	1.88	—
Sweden	17	587	—	2	53	659	*29*	*5*	*1*	34	421	0.60	2.00
Switzerland	1,150	6,362	—	5	—	7,517	*198*	*8*	—	206	2,573	3.65	—
United Kingdom	5,421	46,946	593	374	6,259	59,593	*1,410*	*90*	*145*	1,645	20,557	29.14	2.00
United States	406	12,269	—	59	899	13,633	*374*	*27*	*25*	426	5,319	7.54	—
Other countries	2,224	11,302	86	561	162	14,336	*298*	*131*	*2*	430	5,379	7.61	—
Total	**25,633**	**136,196**	**2,144**	**1,748**	**14,342**	**180,059**	***4,938***	***442***	***264***	**5,645**	**70,554**	**100.00**	

Table CCyB2 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 26: Amount of Institution specific countercyclical capital buffer (CCyB2)

	30 Jun 2024
Total risk exposure amount (£m)	113,191
Institution specific countercyclical capital buffer rate (%)	1.00
Institution specific countercyclical capital buffer requirement (£m)	1,132

Other Information

Abbreviations

The following abbreviated terms are used throughout this document.

A	
AIRB	Advanced internal ratings-based approach
ALCO	Asset, Liability and Capital Management Committee
AT1 capital	Additional tier 1 capital
Apr	April
AT1 capital	Additional tier 1 capital
B	
Basel	Basel Committee on Banking Supervision
C	
CCP[1]	Central counterparty
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CET1[1]	Common equity tier 1
CIU	Collective investment undertakings
CRD[1]	Capital Requirements Regulation and Directive
CRM[1]	Credit risk mitigation/mitigant
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
CVA[1]	Credit valuation adjustment
D	
Dec	December
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
ECL[1]	Expected credit losses
EL[1]	Expected loss
EU	European Union
EVE	Economic value of equity
F	
FINREP	Financial Reporting templates submitted to BoE
FIRB	Foundation internal-ratings based approach
G	
GEC	Group Executive Committee
GRC	Group Risk Committee
Group	HSBC Holdings together with its subsidiary undertakings
H	
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
I	
IAA	Internal Assessment Approach
IFRSs	International Financial Reporting Standards
IMA[1]	Internal Models Approach
IMM[1]	Internal Model Method
IRB[1]	Internal ratings based approach
IRC	Incremental risk charge
IRRBB	Interest rate risk in the banking book

J	
Jan	January
Jul	July
Jun	June
L	
LCR[1]	Liquidity Coverage Ratio
LGD[1]	Loss given default
M	
Mar	March
MREL	Minimum requirements for own funds and eligible liabilities
N	
NSFR[1]	Net Stable Funding Ratio
O	
Oct	October
P	
PD[1]	Probability of default
PRA[1]	Prudential Regulation Authority (UK)
R	
RAS	Risk appetite statement
RMM	Risk Management Meeting
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SEC-ERBA	Securitisation external rating-based approach
SEC-IRBA	Securitisation internal rating-based approach
SEC-SA	Securitisation standardised approach
Sep	September
SFT	Securities Financing Transactions
SME	Small- and medium-sized enterprise
SPE[1]	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
T	
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
U	
UK	United Kingdom
V	
VaR[1]	Value at risk

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

Cautionary statement regarding forward-looking statements

This Pillar 3 Disclosure at 30 June 2024 contains certain forward-looking statements with respect to the company's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC Group's environmental, social and governance ('ESG') targets, commitments and ambitions described herein.

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

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

– changes in general economic conditions in the markets in which the company operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war and the Israel-Hamas war and their impact on global economies and the markets where the company operates, which could have a material adverse effect on (among other things) the company's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the company's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war and the Israel-Hamas war and inflationary pressures and commodity price changes); changes and volatility in foreign exchange rates and interest rates levels; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect the company's ability to meet its obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments, both in Europe and in other regions such as Asia, producing social instability or legal uncertainty, such as the Russia-Ukraine war or the Israel-Hamas war (including the continuation and escalation thereof) and the related imposition of sanctions and trade restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations and diplomatic tensions between China and the US, extending to the UK and the EU, alongside other potential areas of tension, which may adversely affect the group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the company's and the HSBC Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the company both directly and indirectly through its customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the company as a conduit for illegal activities without the company's knowledge; the discontinuation of certain key Ibors and the transition of the remaining legacy Ibor contracts to near risk-free benchmark rates, which continues to expose the company to some financial and non-financial risks; and price competition in the market segments that the company serves;
– changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the company operates and the consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections in the jurisdictions where the group operates); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the company, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, which continues to be characterised by uncertainty and political disagreement, despite the signing of the Trade and Cooperation Agreement between the UK and the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the jurisdictions where the group operates) that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the company operates, including increased competition from non-bank financial services companies; and
– factors specific to the company and the HSBC Group, including the company's success in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the company's ability to achieve its financial, investment, capital targets and the HSBC Group's ESG targets, commitments and ambitions, which may result in the company's failure to achieve any of the expected benefits of its strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how the company manages model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and rising interest rates have had on the performance and usage of financial models, which may require the company to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the company bases its financial statements on; changes in the company's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the company or any of its subsidiaries, which could increase the cost or decrease the availability of the company's funding and affect its liquidity position and net interest margin; changes to the reliability and security of the company's data management, data privacy, information and technology infrastructure, including

threats from cyber-attacks, which may impact its ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in the HSBC Group's reporting framework and accounting standards, which have had and may continue to have a material impact on the way the company prepares its financial statements; the company's ability to successfully execute planned strategic acquisitions and disposals; the company's success in adequately integrating acquired businesses into its business; changes in the company's ability to manage third-party, fraud, financial crime and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and diverse and skilled personnel; and changes in the company's ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the environmental and social impacts from its financing activity (including as a result of data limitations and changes in methodologies), which may affect HSBC Group's ability to achieve its ESG targets, commitments and ambitions, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties that the company identifies in 'Risk – Risk Overview', 'Risk – Managing Risk' and 'Risk – Top and Emerging Risks' on pages 13 to 15 of the HSBC Bank plc Interim Report 2024.

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