

HSBC HOLDINGS PLC
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of August 2018

Commission File Number: 001-14930

HSBC Holdings plc

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(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

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Yes..... No

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Pillar 3 Disclosures at 30 June 2018

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

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The Group has adopted the EU’s regulatory transitional arrangements for IFRS 9 ‘Financial instruments’. A number of tables in this document report under this arrangement as follows:

a. Some figures for 2018 (as indicated ^) within this table have been prepared on an IFRS 9 transitional basis

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

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

Regulatory framework for disclosures

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

At a consolidated Group level, we calculate capital for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision (the 'Basel Committee') as implemented by the European Union ('EU') in the amended Capital Requirements Directive and Regulation ('CRD IV'), and in the PRA Rulebook for the UK banking industry. The regulators of Group banking entities outside the EU are at varying stages of implementation of the Basel III framework, so local regulation in 2018 may have been on the basis of the Basel I, II or III frameworks.

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 which concerns market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

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

Pillar 3 disclosures

Our Pillar 3 Disclosures at 30 June 2018 comprise information required under Pillar 3, both quantitative and qualitative. They are made in accordance with Part 8 of the Capital Requirements Regulation within CRD IV and as recommended by the European Banking Authority ('EBA') guidelines on disclosure requirements issued in December 2016. Additionally, we continue to present a number of Basel Committee's templates where these do not overlap with the EBA guidelines. These disclosures are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

Where disclosures have been enhanced, or are new, we do not generally restate or provide prior-year comparatives.

The capital resources tables track the position from a CRD IV transitional to an end point basis. Furthermore, specific rows and columns in the tables which are not considered to be relevant to HSBC's activities have been omitted. We also omit rows and columns where both current and comparative disclosures are immaterial.

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 2018 or to other locations.

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

Regulatory developments

Risk-weighted assets ('RWAs') and leverage ratio

Basel Committee

In December 2017, the Basel Committee ('Basel') published revisions to the Basel III framework. The final package includes:

- widespread changes to the risk weights under the standardised approach to credit risk;
- a change in the scope of application of the internal ratings based ('IRB') approach to credit risk, together with changes to the IRB methodology;
- the replacement of the operational risk approaches with a single methodology;
- an amended set of rules for the credit valuation adjustment ('CVA') capital framework;
-

an aggregate output capital floor that ensures that banks' total RWAs are no lower than 72.5% of those generated by the standardised approaches; and changes to the exposure measure for the leverage ratio, together with the imposition of a leverage ratio buffer for global systemically important banks ('G-SIB'). This will take the form of a tier 1 capital buffer set at 50% of the G-SIB's RWAs capital buffer.

Basel has announced that the package will be implemented on

1 January 2022, with a five-year transitional provision for the output floor from that date, commencing at a rate of 50%.

HSBC continues to evaluate the final Basel III reform package. Given that the package contains a significant number of national discretions and that Basel is in the process of recalibrating the market risk and CVA elements of the final framework, significant uncertainty remains as to the impact.

In all instances, the final standards will have to be transposed into the relevant local law before coming into effect.

European Union

In the EU, elements of Basel's reforms are being implemented through revisions to the Capital Requirements Regulation and Capital Requirements Directive (collectively referred to as 'CRR2'). In relation to RWAs and the leverage ratio, the changes include the fundamental review of the trading book ('FRTB'), changes to the counterparty credit risk framework and a binding leverage ratio. The CRR2 changes are expected to complete in the second half of 2018 and apply from 1 January 2021, although certain elements, such as those related to the 'Minimum Requirements for own funds and Eligible Liabilities' ('MREL'), are expected to apply earlier.

In May 2018, the European Commission requested that the EBA perform a quantitative and qualitative impact analysis of the Basel III reforms on the EU banking sector and the wider economy, including an assessment of the final FRTB standards currently subject to recalibration by Basel. This impact analysis is expected to commence in August 2018. The EBA's final report on the adoption of Basel's reforms is not due to be published until the end of June 2019.

Bank of England

In May 2018, the PRA published a consultation that sets out its approach to the new EU securitisation regulations. The regime is to apply from 1 January 2019 for new transactions and from

1 January 2020 for existing transactions.

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Capital resources, resolution and total loss absorbing capacity ('TLAC')

Financial Stability Board

In June 2018, the Financial Stability Board ('FSB') published a call for feedback on the technical implementation of its standard on TLAC for G-SIBs in resolution ('the TLAC standard'). This will assess whether the implementation of the TLAC standard is proceeding as envisaged and may be used as a basis to develop further implementation guidance.

In June 2018, the FSB also published two sets of final guidelines, following consultations in November 2017. The first sets out principles to assist authorities as they make bail-in resolution strategies operational and the second covers the development of a resolution funding plan for G-SIBs.

European Union

The CRR2 also implements the FSB TLAC standard for G-SIBs, which is being implemented in the form of the MREL requirements. Several changes are also introduced in the own funds calculation and eligibility criteria, the most important of which relates to Point of Non Viability ('PONV') requirements for Additional Tier 1 ('AT1') and Tier 2 instruments. These are expected to apply from 1 January 2019.

Bank of England

In June 2018, the Bank of England published its approach to setting MREL within groups ('internal MREL') and also its final policy on selected outstanding MREL policy matters. These are expected to apply from 1 January 2019. The PRA also published its expectations for MREL reporting which will apply from the same date.

The PRA has also published final rules on group risk and double leverage. Firms will be required to consider both elements as part of the Pillar 2 process. In June 2018, the PRA also published modifications to its intra-group large exposures framework, which came into force with immediate effect.

Basel Committee

In July 2018, Basel published a revised assessment methodology and higher loss absorbing requirement for G-SIBs. This updates its

July 2013 publication and follows a consultation on its methodology in March 2017. The revised methodology will take effect in 2021 and the resulting higher loss absorbing requirement will be applied in January 2023.

Table 1: Key metrics

Ref*		At			
		Footnotes	30 Jun ¹	31 Mar ¹	31 Dec ²
	Available capital (\$bn)	3			
1	Common equity tier 1 ('CET1') capital	^	122.8	129.6	126.1
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied		121.8	128.6	N/A
3	Tier 1 capital	^	147.1	157.1	151.0
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		146.1	156.1	N/A
5	Total capital	^	176.6	185.2	182.4
6	Total capital as if IFRS 9 transitional arrangements had not been applied		175.6	184.2	N/A
	Risk-weighted assets ('RWAs') (\$bn)				
7	Total RWAs		865.5	894.4	871.3
8	Total RWAs as if IFRS 9 transitional arrangements had not been applied		864.9	893.8	N/A
	Capital ratios (%)	3			
9	CET1	^	14.2	14.5	14.5
10	CET1 as if IFRS 9 transitional arrangements had not been applied		14.1	14.4	N/A
11	Tier 1	^	17.0	17.6	17.3
12	Tier 1 as if IFRS 9 transitional arrangements had not been applied		16.9	17.5	N/A
13	Total capital	^	20.4	20.7	20.9
14	Total capital as if IFRS 9 transitional arrangements had not been applied		20.3	20.6	N/A
	Additional CET1 buffer requirements as a percentage of RWA (%)				

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	Capital conservation buffer requirement		1.88	1.88	1.25
	Countercyclical buffer requirement		0.46	0.34	0.22
	Bank G-SIB and/or D-SIB additional requirements		1.50	1.50	1.25
	Total of bank CET1 specific buffer requirements		3.84	3.72	2.72
	CET1 available after meeting the bank's minimum capital requirements	4	7.7	8.0	8.0
	Total capital requirement (%)	5			
	Total capital requirement		11.5	11.5	N/A
	Leverage ratio				
15	Total leverage ratio exposure measure (\$bn)	6^	2,664.1	2,707.9	2,557.1
16	Leverage ratio (%)	6^	5.4	5.6	5.6
17	Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)		5.3	5.5	N/A
	Liquidity Coverage Ratio ('LCR')	7			
	Total high-quality liquid assets (\$bn)		540.2	533.1	512.6
	Total net cash outflow (\$bn)		341.7	338.5	359.9
	LCR ratio (%)	8	158.1	157.5	142.2

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

¹ Unless otherwise stated all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in art 473a of the Capital Requirements Regulation.

² All figures presented as reported under IAS 39 at 31 December 2017.

³ Capital figures and ratios are reported on the CRD IV transitional basis for additional tier 1 and tier 2 capital in accordance with articles 484-92 of the Capital Requirements Regulation.

⁴ The minimum requirements include the total capital requirement to be met by CET1, comprised of the Pillar 1 and Pillar 2A requirements set by the Prudential Regulation Authority.

⁵ Total capital requirement is defined as the sum of Pillar 1 and Pillar 2A capital requirements.

⁶ Leverage ratio is calculated using the CRD IV end point basis for additional tier 1 capital.

⁷ The EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation do not apply to liquidity coverage measures.

⁸ LCR is calculated as at the end of each period rather than using average values. Refer to page 63 of the Interim Report 2018 for further detail.

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The Group has adopted the regulatory transitional arrangements (including paragraph 4 of CRR article 473a) published by the EU on 27 December 2017 for IFRS 9 'Financial Instruments'. These permit banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The proportion that banks may add back starts at 95% in 2018, and reduces to 25% by 2022.

The impact of IFRS 9 on loan loss allowances is defined as:

the increase in loan loss allowances on day one of IFRS 9 adoption; plus

any subsequent increase in expected credit losses in the non credit-impaired book thereafter.

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

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

Structure of the regulatory group

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities and post-acquisition reserves, leaving the Group's investment in these insurance subsidiaries to be recorded at cost and deducted from CET1 capital (subject to thresholds).

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

Participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and RWAs in accordance with the PRA's application of EU legislation.

Non-participating significant investments along with non-financial associates are deducted from capital (subject to thresholds).

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Table 2: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation

	Accounting balance sheet	Deconsolidation of insurance/ other entities	Consolidation of banking associates	Regulatory balance sheet
Ref †	\$m	\$m	\$m	\$m
Assets				
Cash and balances at central banks	189,842	(43	)1,199	190,998
Items in the course of collection from other banks	8,081	—	12	8,093
Hong Kong Government certificates of indebtedness	35,754	—	—	35,754
Trading assets	247,892	(1,485	)—	246,407
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	40,678	(29,496	)541	11,723
Derivatives	227,972	(29	)95	228,038
Loans and advances to banks	83,924	(1,563	)1,378	83,739
Loans and advances to customers	973,443	(1,920	)12,489	984,012
– of which: impairment allowances on IRB portfolios h	(6,612	)—	—	(6,612
Reverse repurchase agreements – non-trading	208,104	—	1,225	209,329
Financial investments	386,436	(61,255	)3,309	328,490
Capital invested in insurance and other entities	—	2,383	—	2,383
Prepayments, accrued income and other assets	153,048	(5,143	)266	148,171
– of which: retirement benefit assets i	8,874	—	—	8,874
Current tax assets	1,106	(5	)—	1,101
Interests in associates and joint ventures	22,572	(390	)4,025	)18,157
– of which: positive goodwill on acquisition e	511	(14	)—	497
Goodwill and intangible assets e	23,722	(7,176	)—	16,546
Deferred tax assets f	4,740	160	1	4,901
Total assets at 30 Jun 2018	2,607,314	(105,962	)16,490	2,517,842
Liabilities and equity				
Hong Kong currency notes in circulation	35,754	—	—	35,754
Deposits by banks	64,792	(34	)888	65,646
Customer accounts	1,356,307	2,168	14,177	1,372,652
Repurchase agreements – non-trading	158,295	—	—	158,295
Items in the course of transmission to other banks	8,086	—	—	8,086
Trading liabilities	83,845	54	—	83,899
Financial liabilities designated at fair value	151,985	(4,502	)—	147,483
– of which:				
included in tier 1 m	424	—	—	424
included in tier 2 n, p	14,613	—	—	14,613
Derivatives	222,961	130	77	223,168
Debt securities in issue	81,708	(1,909	)320	80,119
Accruals, deferred income and other liabilities	134,774	(3,297	)709	132,186
Current tax liabilities	1,609	(166	)—	1,443
Liabilities under insurance contracts	86,918	(86,918)—	—
Provisions	4,199	(9	)317	4,507
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios h	387	—	—	387
Deferred tax liabilities	2,183	(1,027)2	1,158

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Subordinated liabilities		22,604	4	—	22,608
– of which:					
included in tier 1	k, m	1,813	—	—	1,813
included in tier 2	n, p	20,719	—	—	20,719
Total liabilities at 30 Jun 2018		2,416,020	(95,506	)16,490	2,337,004
Called up share capital	a	10,159	—	—	10,159
Share premium account	a, k	9,774	—	—	9,774
Other equity instruments	j, k	20,573	—	—	20,573
Other reserves	c, g	2,193	1,935	—	4,128
Retained earnings	b, c	140,908	(11,519	)—	129,389
Total shareholders' equity		183,607	(9,584	)—	174,023
Non-controlling interests	d, l, m, o	7,687	(872	)—	6,815
– of which: non-cumulative preference shares issued by subsidiaries included in tier 1 capital	m	9	—	—	9
Total equity at 30 Jun 2018		191,294	(10,456	)—	180,838
Total liabilities and equity at 30 Jun 2018		2,607,314	(105,962	)16,490	2,517,842

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

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Table 2: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation (continued)

	Ref †	Accounting balance sheet \$m	Deconsolidation of insurance/ other entities \$m	Consolidation of banking associates \$m	Regulatory balance sheet \$m
Assets					
Cash and balances at central banks		180,624	(38	)1,174	181,760
Items in the course of collection from other banks		6,628	—	2	6,630
Hong Kong Government certificates of indebtedness		34,186	—	—	34,186
Trading assets		287,995	(359	)1	287,637
Financial assets designated at fair value		29,464	(28,674	)—	790
Derivatives		219,818	(128	)57	219,747
Loans and advances to banks		90,393	(2,024	)1,421	89,790
Loans and advances to customers		962,964	(3,633	)12,835	972,166
– of which: impairment allowances on IRB portfolios	h	(5,004	)—	—	(5,004
Reverse repurchase agreements – non-trading		201,553	—	1,854	203,407
Financial investments		389,076	(61,480	)3,325	330,921
Capital invested in insurance and other entities		—	2,430	—	2,430
Prepayments, accrued income and other assets		67,191	(4,202	)267	63,256
– of which: retirement benefit assets	i	8,752	—	—	8,752
Current tax assets		1,006	(5	)—	1,001
Interests in associates and joint ventures		22,744	(370	) (4,064	)18,310
– of which: positive goodwill on acquisition	e	521	(14	) (1	)506
Goodwill and intangible assets	e	23,453	(6,937	)—	16,516
Deferred tax assets	f	4,676	170	—	4,846
Total assets at 31 Dec 2017		2,521,771	(105,250	)16,872	2,433,393
Liabilities and equity					
Hong Kong currency notes in circulation		34,186	—	—	34,186
Deposits by banks		69,922	(86	)695	70,531
Customer accounts		1,364,462	(64	)14,961	1,379,359
Repurchase agreements – non-trading		130,002	—	—	130,002
Items in course of transmission to other banks		6,850	—	—	6,850
Trading liabilities		184,361	867	—	185,228
Financial liabilities designated at fair value		94,429	(5,622	)—	88,807
– of which:					
included in tier 1	m	459	—	—	459
included in tier 2	n, p	23,831	—	—	23,831
Derivatives		216,821	69	51	216,941
Debt securities in issue		64,546	(2,974	)320	61,892
Accruals, deferred income and other liabilities		45,907	(211	)622	46,318
Current tax liabilities		928	(81	)—	847
Liabilities under insurance contracts		85,667	(85,667)—	—
Provisions		4,011	(17	)223	4,217
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	h	220	—	—	220
Deferred tax liabilities		1,982	(1,085)—	897
Subordinated liabilities		19,826	1	—	19,827
– of which:					

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included in tier 1	k, m	1,838	—	—	1,838
included in tier 2	n, p	17,561	—	—	17,561
Total liabilities at 31 Dec 2017		2,323,900	(94,870)16,872	2,245,902
Called up share capital	a	10,160	—	—	10,160
Share premium account	a, k	10,177	—	—	10,177
Other equity instruments	j, k	22,250	—	—	22,250
Other reserves	c, g	7,664	1,236	—	8,900
Retained earnings	b, c	139,999	(10,824	)—	129,175
Total shareholders' equity		190,250	(9,588	)—	180,662
Non-controlling interests	d, l, m, o	7,621	(792	)—	6,829
– of which: non-cumulative preference shares issued by subsidiaries					
included in tier 1 capital	m	—	—	—	—
Total equity at 31 Dec 2017		197,871	(10,380	)—	187,491
Total liabilities and equity at 31 Dec 2017		2,521,771	(105,250	)16,872	2,433,393

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

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Pillar 3 Disclosures at 30 June 2018

Capital and RWAs

The main features of HSBC's capital instruments are set out in the Annual Report and Accounts 2017. Information on those instruments classified as liabilities under IFRSs is included in

Note 27 Subordinated liabilities on pages 232 to 235. Information on those instruments classified as equity under IFRSs is included in Note 31 Called up share capital and other equity instruments on pages 241 to 243.

Own funds

Table 3: Own funds disclosure

	At 30 Jun 2018	CRD IV prescribed residual amount	Final CRD IV text
	Ref \$m	\$m	\$m
Common equity tier 1 ('CET1') capital: instruments and reserves			
1 Capital instruments and the related share premium accounts	18,528		18,528
– ordinary shares	a 18,528		18,528
2 Retained earnings	b 127,358		127,358
3 Accumulated other comprehensive income (and other reserves)	c 2,420		2,420
5 Minority interests (amount allowed in consolidated CET1)	d 4,729		4,729
5a Independently reviewed interim net profits net of any foreseeable charge or dividend	b 3,034		3,034
6 Common equity tier 1 capital before regulatory adjustments	156,069		156,069
Common equity tier 1 capital: regulatory adjustments			
7 Additional value adjustments	(1,234)		(1,234)
8 Intangible assets (net of related deferred tax liability)	e (16,877)		(16,877)
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	f (969)		(969)
11 Fair value reserves related to gains or losses on cash flow hedges	g 234		234
12 Negative amounts resulting from the calculation of expected loss amounts	h (1,772)		(1,772)
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1,845		1,845
15 Defined-benefit pension fund assets	i (6,852)		(6,852)
16 Direct and indirect holdings of own CET1 instruments	(40)		(40)
Direct, indirect and synthetic holdings by the institution of the CET1 instruments			
19 of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(7,647)		(7,647)
28 Total regulatory adjustments to common equity tier 1	(33,312)		(33,312)
29 Common equity tier 1 capital	122,757		122,757
Additional tier 1 ('AT1') capital: instruments			
30 Capital instruments and the related share premium accounts	20,550		20,550
31 – classified as equity under IFRSs	j 20,550		20,550
Amount of qualifying items and the related share premium accounts subject to			
33 phase out from AT1	k 2,297	(2,297)	—
Qualifying tier 1 capital included in consolidated AT1 capital (including			
34 minority interests not included in CET1) issued by subsidiaries and held by third parties	l, m 1,541	(1,327)	214

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35	– of which: instruments issued by subsidiaries subject to phase out	m	1,327	(1,327)—	
36	Additional tier 1 capital before regulatory adjustments		24,388	(3,624	)20,764
	Additional tier 1 capital: regulatory adjustments					
37	Direct and indirect holdings of own AT1 instruments		(60)	(60)
43	Total regulatory adjustments to additional tier 1 capital		(60)—	(60)
44	Additional tier 1 capital		24,328	(3,624)20,704	
45	Tier 1 capital (T1 = CET1 + AT1)		147,085	(3,624)143,461	

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Table 3: Own funds disclosure (continued)

	At 30 Jun 2018	CRD IV prescribed residual amount	Final CRD IV text
Ref	\$m	\$m	\$m
Tier 2 capital: instruments and provisions			
46 Capital instruments and the related share premium accounts	n 28,185		28,185
Qualifying own funds instruments included in consolidated T2 capital			
48 (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	o, p 1,863	(1,794)	)69
49 – of which: instruments issued by subsidiaries subject to phase out	p 1,794	(1,794))—
51 Tier 2 capital before regulatory adjustments	30,048	(1,794)	)28,254
Tier 2 capital: regulatory adjustments			
52 Direct and indirect holdings of own T2 instruments	(40)		(40)
Direct and indirect holdings by the institution of the T2 instruments and			
55 subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(483)	—	(483)
57 Total regulatory adjustments to tier 2 capital	(523)	—	(523)
58 Tier 2 capital	29,525	(1,794)	)27,731
59 Total capital (TC = T1 + T2)	176,610	(5,418)	)171,192
60 Total risk-weighted assets	865,467	—	865,467
Capital ratios and buffers			
61 Common equity tier 1	14.2%		14.2%
62 Tier 1	17.0%		16.6%
63 Total capital	20.4%		19.8%
64 Institution specific buffer requirement	3.84%		
65 – capital conservation buffer requirement	1.88%		
66 – countercyclical buffer requirement	0.46%		
67a– Global Systemically Important Institution ('G-SII') buffer	1.50%		
68 Common equity tier 1 available to meet buffers	7.7%		
Amounts below the threshold for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the			
72 institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3,443		
Direct and indirect holdings by the institution of the CET1 instruments of			
73 financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	13,040		
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	4,924		
Applicable caps on the inclusion of provisions in tier 2			
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,198		
79 Cap for inclusion of credit risk adjustments in T2 under IRB approach	3,195		
Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
82 Current cap on AT1 instruments subject to phase out arrangements	6,921		
84 Current cap on T2 instruments subject to phase out arrangements	5,131		

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

At 30 June 2018, our CET1 capital ratio decreased to 14.2% from 14.5% at 31 December 2017.

CET1 capital decreased in 1H18 by \$3.4bn, mainly as a result of:

\$3.5bn of unfavourable foreign currency translation differences;

the \$2.0bn share buy-back; and

a \$1.0bn increase in threshold deductions as a result of an increase in the value of our material holdings and a decrease in the CET1 capital base.

These decreases were partly offset by:

\$2.5bn of capital generation through profits, net of cash and scrip dividends; and

a \$1.2bn IFRS 9 day one transitional impact, mainly due to classification and measurement changes.

Leverage ratio

Our leverage ratio calculated in accordance with CRD IV was 5.4% at 30 June 2018, down from 5.6% at 31 December 2017, mainly due to balance sheet growth.

The Group's UK leverage ratio at 30 June 2018 on a modified basis, excluding qualifying central bank balances, was 5.9%.

At 30 June 2018, our UK minimum leverage ratio requirement of 3.25% was supplemented by an additional leverage ratio buffer of 0.5% and a countercyclical leverage ratio buffer of 0.2%. These additional buffers translate into capital values of \$12.8bn and \$3.9bn, respectively. We exceeded these leverage requirements.

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

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Table 4: Summary reconciliation of accounting assets and leverage ratio exposures

	At	
	30 Jun 2018 \$bn	31 Dec 2017 \$bn
1 Total assets as per published financial statements	2,607.3	2,521.8
Adjustments for:		
2 – entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(89.5)	(88.4)
4 – derivative financial instruments	(80.9)	(91.0)
5 – securities financing transactions ('SFT')	11.6	12.2
6 – off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	236.5	227.4
7 – other	(20.9)	(24.9)
8 Total leverage ratio exposure	2,664.1	2,557.1

Table 5: Leverage ratio common disclosure

	At	
	30 Jun 2018 \$bn	31 Dec 2017 \$bn
On-balance sheet exposures (excluding derivatives and SFTs)		
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,067.4	1,998.7
2 (Asset amounts deducted in determining tier 1 capital)	(34.2)	(35.3)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	2,033.2	1,963.4
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	34.5	29.0
5 Add-on amounts for potential future exposure ('PFE') associated with all derivatives transactions (mark-to-market method)	140.1	125.5
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to IFRSs	6.0	5.2
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(23.5)	(23.6)
8 (Exempted central counterparty ('CCP') leg of client-cleared trade exposures)	(18.9)	(14.0)
9 Adjusted effective notional amount of written credit derivatives	168.6	188.2
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(159.6)	(181.6)
11 Total derivative exposures	147.2	128.7
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	340.5	331.2
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(104.9)	(105.8)
14 Counterparty credit risk exposure for SFT assets	11.6	12.2
16 Total securities financing transaction exposures	247.2	237.6
Other off-balance sheet exposures		

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17	Off-balance sheet exposures at gross notional amount	823.9	801.7
18	(Adjustments for conversion to credit equivalent amounts)	(587.4)(574.3)
19	Total off-balance sheet exposures	236.5	227.4
	Capital and total exposures		
20	Tier 1 capital	143.5	142.7
21	Total leverage ratio exposure	2,664.1	2,557.1
22	Leverage ratio (%)	5.4	5.6
EU-23	Choice of transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in

Table 6: Leverage ratio – Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	At		
	30 Jun 2018	31 Dec 2017	
	\$bn	\$bn	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	2,043.9	1,998.7
EU-2	– trading book exposures	223.3	268.6
EU-3	– banking book exposures	1,820.6	1,730.1
	'banking book exposures' comprises:		
EU-4	covered bonds	1.4	1.3
EU-5	exposures treated as sovereigns	514.1	504.8
EU-6	exposures to regional governments, multilateral development banks ('MDBs'), international organisations and public sector entities not treated as sovereigns	9.0	9.8
EU-7	institutions	78.6	77.0
EU-8	secured by mortgages of immovable properties	290.4	283.4
EU-9	retail exposures	83.8	89.3
EU-10	corporate	616.6	586.0
EU-11	exposures in default	9.2	9.7
EU-12	other exposures (e.g. equity, securitisations and other non-credit obligation assets)	217.5	168.8

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Capital buffers

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

Pillar 1 minimum capital requirements and RWA flow

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

Risk category	Scope of permissible approaches	Approach adopted by HSBC
Credit risk	<p>The Basel Committee's framework applies three approaches of increasing sophistication to the calculation of Pillar 1 credit risk capital requirements. The most basic level, the standardised approach, requires banks to use external credit ratings to determine the risk weightings applied to rated counterparties. Other counterparties are grouped into broad categories and standardised risk weightings are applied to these categories. The next level, the foundation IRB ('FIRB') approach, allows banks to calculate their credit risk capital requirements on the basis of their internal assessment of a counterparty's probability of default ('PD'), but subjects their quantified estimates of EAD and loss given default ('LGD') to standard supervisory parameters. Finally, the advanced IRB ('AIRB') approach allows banks to use their own internal assessment in both determining PD and quantifying EAD and LGD.</p>	<p>For consolidated Group reporting, we have adopted the advanced IRB approach for the majority of our business. Some portfolios remain on the standardised or foundation IRB approaches:</p> <ul style="list-style-type: none"> • pending the issuance of local regulations or model approval; • following supervisory prescription of a non-advanced approach; or • under exemptions from IRB treatment.
Counterparty credit risk	<p>Four approaches to calculating CCR and determining exposure values are defined by the Basel Committee: mark-to-market, original exposure, standardised and Internal Model Method ('IMM'). These exposure values are used to determine capital requirements under one of the credit risk approaches: standardised, foundation IRB or advanced IRB.</p>	<p>We use the mark-to-market and IMM approaches for CCR. Details of the IMM permission we have received from the PRA can be found in the Financial Services Register on the PRA website. Our aim is to increase the proportion of positions on IMM over time.</p>
Equity	<p>For the non-trading book, equity exposures can be assessed under standardised or IRB approaches.</p>	<p>For Group reporting purposes, all non-trading book equity exposures are treated under the standardised approach.</p>
Securitisation	<p>Basel specifies two approaches for calculating credit risk requirements for securitisation positions in non-trading books: the standardised approach and the IRB approach, which incorporates</p>	<p>For the majority of the non-trading book securitisation positions we</p>

the Ratings Based Method ('RBM'), the Internal Assessment Approach ('IAA') and the Supervisory Formula Method ('SFM'). Securitisation positions in the trading book are treated within the market risk framework, using the CRD IV standard rules.

use the IRB approach, and within this principally the RBM, with lesser amounts on the IAA and the SFM. We also use the standardised approach for an immaterial amount of non-trading book positions. We follow the CRD IV standard rules for the securitisation positions in the trading book.

The market risk capital requirement is measured using internal market risk models, where approved by the PRA, or under the standard rules. Our internal market risk models comprise VaR, stressed VaR and IRC.

Non-proprietary details of the scope of our IMA permission are available in the Financial Services Register on the PRA website. We are in compliance with the requirements set out in Articles 104 and 105 of the Capital Requirements Regulation.

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.

Market risk

Market risk capital requirements can be determined under either the standard rules or the Internal Models Approach ('IMA'). The latter involves the use of internal value at risk ('VaR') models to measure market risks and determine the appropriate capital requirement.

In addition to the VaR models, other internal models include Stressed VaR ('SVaR'), Incremental Risk Charge ('IRC') and Comprehensive Risk Measure.

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.

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Table 7: Overview of RWAs

	At		
	30 Jun 2018	31 Mar 2018	30 Jun 2018
	RWAs	RWAs	Capital ¹ requirements
	\$bn	\$bn	\$bn
1 Credit risk (excluding counterparty credit risk)	634.3	638.1	50.7
2 – standardised approach	128.4	129.4	10.2
3 – foundation IRB approach	29.1	30.4	2.3
4 – advanced IRB approach	476.8	478.3	38.2
6 Counterparty credit risk	47.5	57.9	3.8
7 – mark-to-market	24.8	37.7	2.0
10– internal model method	16.5	10.4	1.3
11– risk exposure amount for contributions to the default fund of a central counterparty	0.5	0.6	—
12– credit valuation adjustment	5.7	9.2	0.5
13 Settlement risk	0.1	0.1	—
14 Securitisation exposures in the non-trading book	9.0	14.8	0.7
15– IRB ratings based method	5.1	11.3	0.4
17– IRB internal assessment approach	1.6	1.7	0.1
18– standardised approach	2.3	1.8	0.2
19 Market risk	37.0	43.2	3.0
20– standardised approach	5.5	4.8	0.4
21– internal models approach	31.5	38.4	2.6
23 Operational risk	92.7	92.7	7.4
25– standardised approach	92.7	92.7	7.4
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	44.9	47.6	3.6
29 Total	865.5	894.4	69.2

¹ ‘Capital requirements’ here and in all tables where the term is used, represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.

Credit risk, including amounts below the thresholds for deduction

RWAs decreased by \$6.5bn in the second quarter, including a decrease in foreign currency translation differences of \$23.9bn. The \$17.4bn increase (excluding foreign currency translation differences) was mainly due to lending growth principally in CMB and GB&M in Asia.

Counterparty credit risk

The \$10.4bn decrease in RWAs was principally due to:

• the implementation of IMM in Asia and the US which reduced RWAs by \$6.7bn; and

• a decrease in asset size of \$4.1bn mainly from mark-to-market movements in Europe and the US.

Securitisation in non-trading book

The \$5.8bn RWA decrease in the second quarter of the year arose predominantly from the sale of legacy positions.

Market risk

RWAs decreased by \$6.2bn mainly as a result of reduced exposure under the internal models approach.

Table 8: RWA flow statements of credit risk

exposures under the IRB approach¹

RWAs	Capital requirements
\$bn	\$bn

1 RWAs at 1 Apr 2018	508.7	40.7
2 Asset size	11.4	0.9
3 Asset quality	1.0	0.1
4 Model updates	1.0	0.1
5 Methodology and policy	0.4	—
7 Foreign exchange movements	(16.6)	(1.3)
9 RWAs at 30 Jun 2018	505.9	40.5

1 Securitisation positions are not included in this table.

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RWAs under the IRB approach decreased by \$2.8bn in the second quarter of the year, including a decrease of \$16.6bn due to foreign currency translation differences.

The \$13.8bn increase in RWAs excluding foreign currency translation differences is mainly due to:
 an \$11.4bn growth in corporate and lending portfolios mainly in Asia, North America and Europe;

\$1.0bn movement in asset quality due to changes in portfolio mix, mainly in CMB and GB&M; and
 a \$0.6bn increase due to updates to retail and corporate models in RBWM and CMB.

Table 9: RWA flow statements of CCR exposures under the IMM

	RWAs	Capital requirements
	\$bn	\$bn
1 RWAs at 1 Apr 2018	12.7	1.0
2 Asset size	(1.4)	(0.1)
4 Model updates	8.9	0.7
5 Methodology and policy	0.7	0.1
9 RWAs at 30 Jun 2018	20.9	1.7

RWAs under the IMM increased by \$8.2bn mainly as a result of IMM implementation in Asia and the US.

Table 10: RWA flow statements of market risk exposures under the IMA

	VaR	Stressed VaR	IRC	Other	Total RWAs	Total capital requirements
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
1 RWAs at 1 Apr 2018	9.5	14.3	11.2	3.4	38.4	3.1
2 Movement in risk levels	(2.5)	(2.5)	(1.7)	(0.2)	(6.9)	(0.5)
8 RWAs at 30 Jun 2018	7.0	11.8	9.5	3.2	31.5	2.6

RWAs under the IMA decreased by \$6.9bn mainly as a result of:

changes in correlation and risk that reduced both VaR and SVaR by \$2.5bn each; and
 lower exposure in the incremental risk charge ('IRC') that reduced RWAs by \$1.7bn.

Pillar 3 Disclosures at 30 June 2018

Credit risk

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

There have been no material changes to our policies and practices, which are described in the Pillar 3 Disclosures at 31 December 2017.

On 1 January 2018, HSBC implemented the requirements of IFRS 9 'Financial Instruments'. Information relevant to understanding the impact of the new accounting standard on HSBC is available in the Report on Transition to IFRS 9 'Financial Instruments' available on the HSBC website.

Credit quality of assets

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

Table 11: Credit quality of exposures by exposure class and instrument¹

	Footnotes	Gross carrying values of		Specific credit risk adjustments	Write-offs in the year ⁴	Credit risk adjustment charges of the period ⁴	Net carrying values
		Defaulted exposures	Non-defaulted exposures				
		\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Central							
1 governments and central banks		—	315.5	—	—	(0.1)	315.5
2 Institutions		—	92.8	—	—	—	92.8
3 Corporates		7.6	1,022.0	4.3	0.2	0.1	1,025.3
4 – of which: specialised lending		0.9	49.0	0.5	—	0.3	49.4
6 Retail		3.5	470.0	1.7	0.4	0.4	471.8
7 – secured by real estate property		2.5	278.4	0.3	—	—	280.6
8 – of which: SMEs		0.1	3.5	—	—	—	3.6
9 Non-SMEs		2.4	274.9	0.3	—	—	277.0
10 – qualifying revolving retail		0.1	129.0	0.7	0.2	0.2	128.4
11 – other retail		0.9	62.6	0.7	0.2	0.2	62.8
12 – of which: SMEs		0.5	8.3	0.4	0.1	0.1	8.4
13 Non-SMEs		0.4	54.3	0.3	0.1	0.1	54.4
15 Total IRB approach		11.1	1,900.3	6.0	0.6	0.4	1,905.4
Central							
16 governments and central banks	2	—	186.2	—	—	—	186.2
Regional							
17 governments or local authorities	2	—	7.3	—	—	—	7.3

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18	Public sector entities	—	11.8	—	—	—	11.8	
19	Multilateral development banks	—	0.2	—	—	—	0.2	
20	International organisations	—	2.0	—	—	—	2.0	
21	Institutions	—	3.6	—	—	—	3.6	
22	Corporates	3.2	177.7	2.0	0.1	0.1	178.9	
23	– of which: SMEs	0.1	1.3	—	—	—	1.4	
24	Retail	1.0	67.5	1.6	0.4	0.3	66.9	
25	– of which: SMEs	—	1.7	—	—	—	1.7	
26	Secured by mortgages on immovable property	0.8	31.9	0.3	—	(0.1)	)32.4
27	– of which: SMEs	—	0.1	—	—	—	0.1	
28	Exposures in default	3	5.0	—	2.1	0.5	0.3	2.9
29	Items associated with particularly high risk	0.1	4.3	—	—	—	4.4	
32	Collective investment undertakings ('CIU')	—	0.7	—	—	—	0.7	
33	Equity exposures	—	15.7	—	—	—	15.7	
34	Other exposures	—	13.8	—	—	—	13.8	
35	Total standardised approach	5.1	522.7	3.9	0.5	0.3	523.9	
36	Total at 30 Jun 2018	16.2	2,423.0	9.9	1.1	0.7	2,429.3	
	– of which: loans	14.7	1,266.4	9.4	1.1	0.9	1,271.7	
	– of which: debt securities	—	327.4	—	—	—	327.4	
	– of which: off-balance sheet exposures	1.5	791.3	0.5	—	(0.2))792.3	

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Table 11: Credit quality of exposures by exposure class and instrument¹ (continued)

	Footnotes	Gross carrying values of		Specific credit risk adjustments	Write-offs in the year ⁴	Credit risk adjustment charges of the period ⁴	Net carrying values
		Defaulted exposures	Non-defaulted exposures				
		\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Central							
1 governments and central banks		—	308.1	—	—	—	308.1
2 Institutions		—	94.5	—	—	—	94.5
3 Corporates		8.1	987.5	4.2	1.0	0.7	991.4
4 – of which: specialised lending		1.2	47.5	0.3	—	—	48.4
6 Retail		3.6	465.0	1.0	0.7	0.3	467.6
7 – secured by real estate property		2.5	274.3	0.3	—	—	276.5
– of which:							
8 SMEs		—	1.5	—	—	—	1.5
9 Non-SMEs		2.5	272.8	0.3	—	—	275.0
10 – qualifying revolving retail		0.1	125.4	0.2	0.3	0.2	125.3
11 – other retail		1.0	65.3	0.5	0.4	0.1	65.8
– of which:							
12 SMEs		0.6	10.6	0.3	—	—	10.9
13 Non-SMEs		0.4	54.7	0.2	0.4	0.1	54.9
15 Total IRB approach		11.7	1,855.1	5.2	1.7	1.0	1,861.6
Central							
16 governments and central banks	2	—	198.1	—	—	—	198.1
Regional							
17 governments or local authorities	2	—	3.8	—	—	—	3.8
18 Public sector entities		—	0.4	—	—	—	0.4
19 Multilateral development banks		—	0.3	—	—	—	0.3
20 International organisations		—	2.2	—	—	—	2.2
21 Institutions		—	3.5	—	—	—	3.5
22 Corporates		—	172.8	0.5	—	0.1	172.3
23 – of which: SMEs		—	1.1	—	—	—	1.1
24 Retail		—	71.0	0.4	—	0.2	70.6
25 – of which: SMEs		—	1.7	—	—	—	1.7
Secured by mortgages on immovable property							
26		—	29.0	—	—	—	29.0
27 – of which: SMEs		—	0.1	—	—	—	0.1
28	3	5.4	—	2.0	1.5	0.7	3.4

Exposures in default						
Items associated						
29 with particularly high risk	—	3.9	—	—	—	3.9
Collective						
32 investment undertakings ('CIU')	—	0.6	—	—	—	0.6
33 Equity exposures	—	16.0	—	—	—	16.0
34 Other exposures	—	11.9	—	—	—	11.9
35 Total standardised approach	5.4	513.5	2.9	1.5	1.0	516.0
36 Total at 31 Dec 2017	17.1	2,368.6	8.1	3.2	2.0	2,377.6
– of which: loans	15.1	1,225.2	7.8	3.2	2.0	1,232.5
– of which: debt securities	—	325.1	—	—	—	325.1
– of which: off-balance sheet exposures	2.0	782.4	0.2	—	—	784.2

1 Securitisation positions and non-credit obligation assets are not included in this table.

Standardised exposures to EEA 'regional governments and local authorities' and 'public sector entities' are reported 2 separately in 2018. In previous years, these exposures were grouped with 'central governments or central banks'. Prior reporting has not been restated.

From 1 January 2018, standardised exposures that are in default are reported within individual exposure classes and 3 totalled in 'Exposures in default'. The reported amounts at

31 December 2017 have not been restated; 'Exposures in default' at that date principally comprised defaulted 4 exposure to corporates of \$3.3bn, retail clients of \$1.1bn and exposure secured on immovable property of \$1.0bn.

Presented on a year-to-date basis.

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Table 12: Credit quality of exposures by industry or counterparty types¹

	Gross carrying values of		Specific credit risk adjustments	Write-offs in the year ²	Credit risk adjustment charges of the period ²	Net carrying values
	Defaulted exposures	Non-defaulted exposures				
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
1 Agriculture	0.3	8.0	0.1	—	—	8.2
2 Mining	0.9	39.7	0.4	0.1	(0.1	)40.2
3 Manufacturing	2.1	259.3	1.4	—	0.1	260.0
4 Utilities	0.3	34.0	0.1	—	—	34.2
5 Water supply	—	2.8	—	—	—	2.8
6 Construction	1.4	41.2	0.6	—	0.1	42.0
7 Wholesale & retail trade	2.3	206.1	1.3	0.1	0.1	207.1
8 Transportation & storage	0.3	52.6	0.2	—	0.1	52.7
9 Accommodation & food services	0.3	28.3	0.2	—	—	28.4
10 Information & communication	—	9.3	—	—	—	9.3
11 Financial & insurance	0.4	569.7	0.3	0.1	—	569.8
12 Real estate	1.1	234.1	0.7	—	0.1	234.5
13 Professional activities	0.2	22.5	0.1	—	—	22.6
14 Administrative service	1.0	93.5	1.0	—	0.2	93.5
15 Public admin & defence	0.4	173.7	0.2	—	(0.1	)173.9
16 Education	—	4.3	—	—	—	4.3
17 Human health & social work	0.1	7.2	0.1	—	—	7.2
18 Arts & entertainment	—	5.3	—	0.1	—	5.3
19 Other services	0.3	14.9	0.1	—	0.1	15.1
20 Personal	4.8	556.2	3.1	0.7	0.1	557.9
21 Extraterritorial bodies	—	38.1	—	—	—	38.1
22 Total at 30 Jun 2018	16.2	2,400.8	9.9	1.1	0.7	2,407.1
1 Agriculture	0.4	9.5	0.1	—	—	9.8
2 Mining	1.4	42.2	0.5	0.2	(0.1	)43.1
3 Manufacturing	2.3	254.2	1.2	0.3	0.2	255.3
4 Utilities	0.3	33.9	0.1	0.1	—	34.1
5 Water supply	—	3.0	—	—	—	3.0
6 Construction	1.0	39.2	0.3	0.1	—	39.9
7 Wholesale & retail trade	2.4	203.5	1.4	0.4	0.5	204.5
8	0.5	52.1	0.1	—	—	52.5

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	Transportation & storage						
9	Accommodation & food services	0.3	24.9	0.1	—	—	25.1
10	Information & communication	0.1	10.0	—	0.1	—	10.1
11	Financial & insurance	0.4	553.0	0.8	0.1	0.1	552.6
12	Real estate	1.2	220.9	0.9	0.1	0.2	221.2
13	Professional activities	0.2	19.2	—	—	—	19.4
14	Administrative service	0.9	81.6	0.7	0.1	0.1	81.8
15	Public admin & defence	0.3	172.8	—	—	—	173.1
16	Education	—	3.7	—	—	—	3.7
17	Human health & social work	0.2	7.6	—	—	—	7.8
18	Arts & entertainment	0.1	8.9	—	—	—	9.0
19	Other services	0.1	10.4	—	—	—	10.5
20	Personal	5.0	554.7	1.9	1.7	1.0	557.8
21	Extraterritorial bodies	—	39.5	—	—	—	39.5
22	Total at 31 Dec 2017	17.1	2,344.8	8.1	3.2	2.0	2,353.8

1 Securitisation positions and non-customer assets are not included in this table.

2 Presented on a year-to-date basis.

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Table 13: Credit quality of exposures by geography^{1, 2}

	Gross carrying values of		Specific credit risk adjustments	Write-offs in the year ³	Credit risk adjustment charges of the period ³	Net carrying values
	Defaulted exposures	Non-defaulted exposures				
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
1 Europe	7.4	811.2	3.9	0.4	0.3	814.7
2 – United Kingdom	4.4	498.6	2.4	0.4	0.2	500.6
3 – France	1.1	102.9	0.7	—	—	103.3
4 – Other countries	1.9	209.7	0.8	—	0.1	210.8
5 Asia	2.6	989.2	2.0	0.2	0.3	989.8
6 – Hong Kong	1.0	490.9	0.8	0.1	—	491.1
7 – China	0.3	155.6	0.3	—	0.1	155.6
8 – Singapore	0.2	68.2	0.1	—	—	68.3
9 – Other countries	1.1	274.5	0.8	0.1	0.2	274.8
10 MENA	3.0	134.8	2.3	0.1	0.1	135.5
11 North America	2.4	409.0	0.8	0.1	—	410.6
12 – United States of America	1.5	289.8	0.3	0.1	—	291.0
13 – Canada	0.3	101.7	0.2	—	—	101.8
14 – Other countries	0.6	17.5	0.3	—	—	17.8
15 Latin America	0.8	62.5	0.9	0.3	—	62.4
Other						
16 geographical areas	—	16.3	—	—	—	16.3
17 Total at 30 Jun 2018	16.2	2,423.0	9.9	1.1	0.7	2,429.3
1 Europe	8.1	795.6	3.0	1.2	0.8	800.7
2 – United Kingdom	4.1	465.3	1.8	0.7	0.7	467.6
3 – France	1.2	121.5	0.6	0.1	—	122.1
4 – Other countries	2.8	208.8	0.6	0.4	0.1	211.0
5 Asia	2.5	970.7	1.7	0.6	0.6	971.5
6 – Hong Kong	0.9	465.5	0.5	0.3	0.4	465.9
7 – China	0.3	167.2	0.3	0.1	0.1	167.2
8 – Singapore	0.1	70.2	0.1	—	—	70.2
9 – Other countries	1.2	267.8	0.8	0.2	0.1	268.2
10 MENA	2.9	134.1	1.8	0.4	0.2	135.2
11 North America	2.6	387.6	1.0	0.3	(0.1)	389.2
12 – United States of America	1.5	268.9	0.4	0.1	—	270.0
13 – Canada	0.4	100.9	0.3	0.1	(0.1)	101.0
14 – Other countries	0.7	17.8	0.3	0.1	—	18.2
15 Latin America	1.0	62.3	0.6	0.7	0.5	62.7
Other						
16 geographical areas	—	18.3	—	—	—	18.3
17 Total at 31 Dec 2017	17.1	2,368.6	8.1	3.2	2.0	2,377.6

¹ Amounts shown by geographical region and country in this table are based on the country of residence of the counterparty.

2 Securitisation positions and non-credit obligation assets are not included in this table.

3 Presented on a year-to-date basis.

Table 14: Ageing of past-due unimpaired and impaired exposures

	Gross carrying values					
	Less than 30 days \$bn	Between 30 and 60 days \$bn	Between 60 and 90 days \$bn	Between 90 and 180 days \$bn	Between 180 days and 1 year \$bn	Greater than 1 year \$bn
1 Loans	8.8	1.7	0.8	2.1	0.7	3.8
3 Total exposures at 30 Jun 2018	8.8	1.7	0.8	2.1	0.7	3.8
1 Loans	7.6	1.5	0.8	2.0	0.9	4.1
3 Total exposures at 31 Dec 2017	7.6	1.5	0.8	2.0	0.9	4.1

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Table 15: Non-performing and forborne exposures

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral and fair value adjustments due to credit guarantees received
	of which: performing of which: but past due between 30 and 90 days			of which: non-performing of which: defaulted of which: impaired of which: forborne				On performing exposures		On non-performing exposures		On non-performing exposures
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
At 30 Jun 2018												
1 Debt securities	327.4	—	—	—	—	—	—	—	—	—	—	—
2 Loans	1,281.1	1.2	1.8	14.7	14.7	14.7	6.9	(3.6)	—	(5.6)	(1.9)	(5.0)
3 Off-balance sheet exposures	792.8		0.4	1.5	1.5	0.1	0.1	(0.4)	—	(0.1)	—	0.2
At 31 Dec 2017												
1 Debt securities	325.1	—	—	—	—	—	—	—	—	—	—	—
2 Loans	1,240.3	1.7	2.5	15.8	15.1	15.8	6.7	(2.4)	(0.1)	(5.5)	(1.9)	(6.2)
3 Off-balance sheet exposures	784.4		0.3	2.0	2.0	—	—	(0.2)	—	—	—	0.2

Defaulted exposures

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

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

Table 16: Changes in the stock of general and specific credit risk adjustments

	Footnotes	Accumulated specific credit risk adjustments \$bn	Accumulated general credit risk adjustments \$bn
1 Opening balance at 1 Jan 2018	1	10.4	—
2 Increases due to amounts set aside for estimated loan losses during the period	2	0.7	—
4 Decreases due to amounts taken against accumulated credit risk adjustments		(1.1)	(—)
6 Impact of exchange rate differences		(0.1)	(—)
9 Closing balance at 30 Jun 2018		9.9	—
10		0.3	—

Recoveries on credit risk adjustments recorded directly to the statement of profit or loss

¹ Includes a day one increase of \$2.2bn arising from the adoption of IFRS 9 'Financial Instruments'.

² Following adoption of IFRS 9 'Financial Instruments', the movement due to amounts set aside for estimated loan losses during the period has been reported net.

Table 17: Changes in stock of defaulted loans and debt securities

	Footnote	Gross carrying value	\$bn
1 Defaulted loans and debt securities at 1 Jan 2018			15.1
2 Loans and debt securities that have defaulted since the last reporting period			3.1
3 Returned to non-defaulted status			(0.8)
4 Amounts written off			(1.2)
5 Other changes	1		(0.8)
7 Repayments			(0.7)
6 Defaulted loans and debt securities at 30 Jun 2018			14.7

¹ Other changes include foreign exchange and assets held for sale in default.

Risk mitigation

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

credit risk mitigation, justified by commercial prudence and capital efficiency. Specifically, detailed policies cover the acceptability, structuring and terms with regard to the availability of credit risk mitigation; for example, in the form of collateral security. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Table 18: Credit risk mitigation techniques – overview

	Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	\$bn	\$bn	\$bn	\$bn	\$bn
1 Loans	678.6	592.8	490.6	101.0	1.2
2 Debt securities	301.7	25.6	19.7	5.9	—
3 Total at 30 Jun 2018	980.3	618.4	510.3	106.9	1.2
4 of which: defaulted	5.3	4.9	4.5	0.4	—
1 Loans	657.7	574.8	478.9	93.8	2.1
2 Debt securities	301.0	24.1	18.7	5.4	—
3 Total at 31 Dec 2017	958.7	598.9	497.6	99.2	2.1
4 of which: defaulted	6.5	5.1	4.8	0.3	—

Table 19: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	\$bn	\$bn	\$bn	\$bn	\$bn	%
Asset classes ¹						
1 Central governments or central banks ²	185.2	0.9	192.7	0.9	12.5	6
2 Regional governments or local authorities ²	7.0	0.3	7.0	0.1	1.2	18
3 Public sector entities	11.6	0.2	11.6	—	0.1	1
4 Multilateral development banks	0.2	—	0.2	—	—	4
5 International organisations	2.0	—	2.0	—	—	—
6 Institutions	3.6	—	2.7	—	1.2	46
7 Corporates	90.8	86.5	72.3	12.1	79.2	94
8 Retail	21.8	44.8	19.9	0.2	15.0	74
9 Secured by mortgages on immovable property	30.4	1.4	30.4	0.3	11.3	37
10 Exposures in default	3.1	0.3	3.0	0.1	3.6	117
11 Higher-risk categories	2.4	1.9	2.3	1.8	6.2	150
14 Collective investment undertakings	0.7	—	0.7	—	0.7	100
15 Equity	15.8	—	15.8	—	35.4	224
16 Other items	13.0	0.8	13.0	0.8	6.9	50
17 Total at 30 Jun 2018	387.6	137.1	373.6	16.3	173.3	44
1 Central governments or central banks ²	196.9	1.2	203.4	0.8	12.7	6
2	3.3	0.5	3.3	0.2	1.0	29

	Regional governments or local authorities ²						
3	Public sector entities	0.2	0.2	0.1	—	0.1	79
4	Multilateral development banks	0.3	—	0.3	—	—	5
5	International organisations	2.2	—	2.2	—	—	—
6	Institutions	3.4	0.1	2.5	—	1.2	50
7	Corporates	88.6	83.7	71.8	11.8	78.3	94
8	Retail	23.8	46.8	21.9	0.3	16.5	74
9	Secured by mortgages on immovable property	27.8	1.2	27.9	0.2	10.4	37
10	Exposures in default	3.1	0.3	3.0	0.1	3.9	127
11	Higher-risk categories	2.1	1.8	2.0	1.8	5.7	150
14	Collective investment undertakings	0.6	—	0.5	—	0.6	100
15	Equity	16.0	—	16.0	—	36.1	225
16	Other items	11.1	0.8	11.2	0.8	6.4	54
17	Total at 31 Dec 2017	379.4	136.6	366.1	16.0	172.9	45

1 Securitisation positions are not included in this table.

Standardised exposures to EEA 'regional governments and local authorities' and 'public sector entities' are reported separately in 2018. In previous years, these exposures were grouped with 'central governments or central banks'. Prior reporting has not been restated.

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Table 20: Standardised approach – exposures by asset classes and risk weights

Risk weight ('RW')	0%	2%	20%	35%	50%	70%	75%	100%	150%	250%	Deducted	Total credit exposure amount (post-CCF and post-CRM) \$bn	of which: unrated \$bn
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn		
Asset classes ¹													
1 Central governments or central banks	188.5	—	—	—	0.1	—	—	0.1	—	4.9	—	193.6	4.9
2 Regional governments or local authorities ²	3.0	—	3.2	—	0.6	—	—	0.3	—	—	—	7.1	0.3
3 Public sector entities	11.6	—	—	—	—	—	—	—	—	—	—	11.6	—
4 Multilateral development banks	0.2	—	—	—	—	—	—	—	—	—	—	0.2	—
5 International organisations	2.0	—	—	—	—	—	—	—	—	—	—	2.0	—
6 Institutions	—	0.1	1.0	—	1.1	—	—	0.5	—	—	—	2.7	0.4
7 Corporates	—	—	3.7	0.2	3.5	0.5	—	75.9	0.6	—	—	84.4	72.3
8 Retail	—	—	—	—	—	—	20.1	—	—	—	—	20.1	20.1
Secured by mortgages													
9 on immovable property	—	—	—	29.9	—	—	—	0.8	—	—	—	30.7	30.7
10 Exposures in default	—	—	—	—	—	—	—	2.0	1.1	—	—	3.1	3.1
11 Higher-risk categories	—	—	—	—	—	—	—	—	4.1	—	—	4.1	4.1
14 Collective investment undertakings	—	—	—	—	—	—	—	0.7	—	—	—	0.7	0.7
15 Equity	—	—	—	—	—	—	—	2.8	—	13.0	—	15.8	15.8
16 Other items	0.4	—	8.2	—	—	—	—	5.2	—	—	—	13.8	13.8
17 Total at 30 Jun 2018	205.7	0.1	16.1	30.1	5.3	0.5	20.1	88.3	5.8	17.9	—	389.9	166.2
1 Central governments or central banks	198.9	—	0.1	—	0.2	—	—	—	—	5.0	—	204.2	5.0
2 Regional governments or local authorities ²	—	—	2.6	—	0.7	—	—	0.2	—	—	—	3.5	0.6
3 Public sector entities	—	—	—	—	—	—	—	0.1	—	—	—	0.1	0.1
4 Multilateral development banks	0.2	—	0.1	—	—	—	—	—	—	—	—	0.3	0.3
5 International organisations	2.2	—	—	—	—	—	—	—	—	—	—	2.2	—
6 Institutions	—	0.1	0.4	—	1.7	—	—	0.3	—	—	—	2.5	0.3
7 Corporates	—	—	3.8	0.2	3.9	0.5	—	74.5	0.7	—	—	83.6	72.4
8 Retail	—	—	—	—	—	—	22.2	—	—	—	—	22.2	22.2
Secured by mortgages													
9 on immovable property	—	—	—	27.3	—	—	—	0.8	—	—	—	28.1	28.1
10 Exposures in default	—	—	—	—	—	—	—	1.5	1.6	—	—	3.1	3.1
11 Higher-risk categories	—	—	—	—	—	—	—	—	3.8	—	—	3.8	3.8
14	—	—	—	—	—	—	—	0.5	—	—	—	0.5	0.5

Collective investment
undertakings

15 Equity	—	—	—	—	—	—	—	2.6	—	13.4	—	16.0	16.0
16 Other items	0.2	—	6.7	—	—	—	—	5.1	—	—	—	12.0	12.0
17 Total at 31 Dec 2017	201.5	0.1	13.7	27.5	6.5	0.5	22.2	85.6	6.1	18.4	—	382.1	164.4

1 Securitisation positions are not included in this table.

Standardised exposures to EEA ‘regional governments and local authorities’ and ‘public sector entities’ are reported separately in 2018. In previous years, these exposures were grouped with ‘central governments or central banks’. Prior reporting has not been restated.

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Table 21: IRB – Credit risk exposures by portfolio and PD range^b

PD scale	Original on-balance sheet exposure	Off-balance sheet gross exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	Value adjustment and provisions
	\$bn	\$bn	%	\$bn	%		%	years	\$bn	%	\$bn	\$bn
AIRB – Central government and central banks												
0.00 to <0.15	299.5	2.2	50.3	301.6	0.02	237	42.5	2.10	25.9	9	—	
0.15 to <0.25	2.8	0.2	1.4	2.8	0.22	7	44.3	1.90	1.2	43	—	
0.25 to <0.50	1.6	0.1	94.2	1.7	0.37	14	45.0	1.30	0.9	51	—	
0.50 to <0.75	2.6	—	—	2.5	0.63	11	45.0	1.20	1.6	65	—	
0.75 to <2.50	5.5	0.3	38.6	5.5	1.61	38	45.0	1.20	5.1	94	0.1	
2.50 to <10.00	0.4	0.1	—	—	6.60	12	45.2	3.90	—	183	—	
10.00 to <100.00	—	0.2	—	—	—	1	—	—	—	—	—	
Sub-total	312.4	3.1	44.4	314.1	0.06	320	42.6	2.10	34.7	11	0.1	—
AIRB – Institutions												
0.00 to <0.15	70.7	9.5	45.4	75.8	0.05	2,497	40.8	1.40	11.2	15	—	
0.15 to <0.25	1.7	0.9	38.4	2.0	0.22	296	45.3	1.00	0.8	39	—	
0.25 to <0.50	4.3	0.2	48.0	3.8	0.37	249	43.2	0.90	2.0	53	—	
0.50 to <0.75	2.7	0.4	38.7	2.9	0.63	158	45.7	0.90	2.0	71	—	
0.75 to <2.50	1.1	0.5	49.2	1.4	1.10	280	45.9	0.90	1.2	89	—	
2.50 to <10.00	0.4	—	28.2	—	4.57	38	47.9	0.70	—	152	—	
10.00 to <100.00	—	0.1	22.5	—	12.94	28	54.6	1.40	0.1	262	—	
100.00 (Default)	—	—	—	—	100.00	1	82.9	1.00	—	1,036	—	
Sub-total	80.9	11.6	44.6	85.9	0.11	3,547	41.2	1.30	17.3	20	—	—
AIRB – Corporate – Specialised												

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Lending (excluding Slotting) ²													
0.00 to <0.15	1.4	1.0	38.9	1.7	0.10	406	31.4	3.40	0.5	27	—		
0.15 to <0.25	1.9	0.6	31.1	1.9	0.22	462	29.9	3.70	0.7	41	—		
0.25 to <0.50	1.0	0.4	29.7	1.1	0.37	226	29.9	3.70	0.5	51	—		
0.50 to <0.75	1.2	0.1	14.0	0.9	0.63	237	25.2	4.00	0.5	56	—		
0.75 to <2.50	1.4	0.7	34.3	1.6	1.37	384	31.5	3.60	1.5	87	—		
2.50 to <10.00	0.4	—	64.2	0.3	4.41	169	26.0	3.80	0.3	92	—		
10.00 to <100.00	0.3	0.1	48.2	0.3	20.62	79	19.8	2.90	0.3	110	—		
100.00 (Default)	0.1	0.1	89.0	0.2	100.00	135	41.4	4.90	0.4	230	0.1		
Sub-total	7.7	3.0	36.1	8.0	3.83	2,098	29.7	3.70	4.7	59	0.1		0.2
AIRB – Corporate – Other													
0.00 to <0.15	110.7	157.7	36.7	210.0	0.08	9,720	40.3	2.20	45.9	22	0.1		
0.15 to <0.25	53.6	62.5	35.3	83.7	0.22	9,824	37.5	1.90	30.6	37	0.1		
0.25 to <0.50	50.6	54.6	32.5	72.5	0.37	10,170	37.8	2.00	34.9	48	0.1		
0.50 to <0.75	54.5	43.0	32.4	67.7	0.63	9,556	35.3	1.90	38.7	57	0.2		
0.75 to <2.50	145.5	98.1	31.3	135.8	1.38	43,846	37.6	2.00	110.4	81	0.7		
2.50 to <10.00	33.5	26.0	32.4	30.9	4.11	11,475	39.9	2.00	37.7	122	0.5		
10.00 to <100.00	4.6	2.9	39.7	4.2	19.68	1,984	40.9	1.80	8.0	193	0.3		
100.00 (Default)	4.9	0.9	46.2	5.1	100.00	2,464	47.0	2.10	11.2	218	2.1		
Sub-total	457.9	445.7	34.4	609.9	1.66	99,039	38.5	2.00	317.4	52	4.1		3.3
Wholesale AIRB – Total at 30 Jun 2018 ³	916.1	463.4	34.7	1,075.1	1.05	105,004	39.9	2.00	386.3	37	4.3		3.5

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Pillar 3 Disclosures at 30 June 2018

Table 21: IRB – Credit risk exposures by portfolio and PD range (continued¹)

PD scale	Original on-balance sheet exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	Value adjustment and provision
	\$bn	\$bn	%	\$bn	%		%	years	\$bn	%	\$bn	\$bn
AIRB – Secured by mortgages on immovable property SME												
0.00 to <0.15	0.3	—	13.0	0.3	0.06	1,262	11.4	—	—	2	—	
0.15 to <0.25	0.2	—	41.2	0.2	0.21	1,629	37.1	—	—	15	—	
0.25 to <0.50	0.4	0.1	40.3	0.4	0.35	5,080	32.8	—	0.1	18	—	
0.50 to <0.75	0.3	0.1	58.9	0.4	0.62	3,865	36.7	—	0.1	27	—	
0.75 to <2.50	1.1	0.1	39.3	1.1	1.48	11,230	38.3	—	0.5	41	—	
2.50 to <10.00	0.7	0.1	36.5	0.8	4.62	5,675	33.1	—	0.4	58	—	
10.00 to <100.00	0.1	—	48.1	0.1	16.24	1,073	33.6	—	0.1	90	—	
100.00 (Default)	0.1	—	32.1	0.1	100.00	736	37.8	—	0.3	403	—	
Sub-total	3.2	0.4	43.6	3.4	4.24	30,550	33.3	—	1.5	44	—	—
AIRB – Secured by mortgages on immovable property non-SME												
0.00 to <0.15	166.1	12.0	90.4	180.6	0.07	1,030,002	14.9	—	11.1	6	—	
0.15 to <0.25	26.5	1.2	80.7	27.6	0.21	117,245	15.8	—	3.2	12	—	
0.25 to <0.50	23.4	2.8	43.3	24.7	0.36	105,918	17.6	—	4.3	17	—	
0.50 to <0.75	12.5	0.5	94.5	13.0	0.61	56,615	15.2	—	2.4	19	—	
0.75 to <2.50	20.9	1.0	74.5	21.7	1.33	99,170	16.9	—	6.3	29	—	

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2.50 to <10.00	5.5	0.2	97.6	5.7	4.69	27,025	11.6	—	2.2	39	—	
10.00 to <100.00	2.2	0.2	98.0	2.4	26.34	20,627	18.8	—	2.8	121	0.1	
100.00 (Default)	2.3	—	71.4	2.4	100.00	20,062	24.7	—	2.2	93	0.7	
Sub-total	259.4	17.9	81.8	278.1	1.39	1,476,664	15.4	—	34.5	12	0.8	0.3
AIRB – Qualifying revolving retail exposures												
0.00 to <0.15	5.0	70.3	49.5	39.6	0.07	13,448,866	91.0	—	1.7	4	—	
0.15 to <0.25	1.3	12.0	47.6	6.9	0.21	2,275,172	93.5	—	0.8	11	—	
0.25 to <0.50	2.1	11.8	43.4	7.2	0.36	1,960,843	92.1	—	1.2	17	—	
0.50 to <0.75	2.1	5.0	49.1	4.5	0.61	952,544	91.9	—	1.2	26	—	
0.75 to <2.50	5.9	7.6	48.6	9.5	1.41	2,011,302	90.0	—	4.5	48	0.1	
2.50 to <10.00	3.1	1.7	63.5	4.1	4.78	849,484	88.4	—	4.6	110	0.2	
10.00 to <100.00	0.8	0.3	65.0	1.0	29.08	279,630	89.4	—	2.2	214	0.3	
100.00 (Default)	0.1	—	20.9	0.1	100.00	55,788	77.2	—	0.2	214	0.1	
Sub-total	20.4	108.7	48.8	72.9	1.12	21,833,629	91.1	—	16.4	23	0.7	0.7
AIRB – Other SME												
0.00 to <0.15	0.1	0.3	34.0	0.2	0.09	96,418	65.6	—	—	12	—	
0.15 to <0.25	—	0.2	40.7	0.1	0.23	72,818	82.3	—	—	30	—	
0.25 to <0.50	0.1	0.4	42.3	0.3	0.37	126,043	81.2	—	0.1	42	—	
0.50 to <0.75	0.2	0.6	62.2	0.6	0.62	158,666	66.8	—	0.2	45	—	
0.75 to <2.50	1.2	1.3	57.2	2.0	1.59	373,652	65.7	—	1.4	66	—	
2.50 to <10.00	2.1	1.1	65.2	2.8	4.88	193,317	56.3	—	2.2	76	0.1	
10.00 to <100.00	0.5	0.2	51.2	0.5	19.14	84,111	72.5	—	0.7	130	0.1	
100.00 (Default)	0.4	0.1	98.2	0.4	100.00	17,415	37.2	—	0.6	136	0.3	
Sub-total	4.6	4.2	56.3	6.9	10.37	1,122,440	61.6	—	5.2	74	0.5	0.4

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AIRB – Other non-SME													
0.00 to <0.15	8.5	6.4	30.4	10.9	0.08	612,277	24.5	—	0.7	7	—		
0.15 to <0.25	6.7	3.4	36.0	8.3	0.21	465,322	27.4	—	1.1	13	—		
0.25 to <0.50	5.9	2.6	29.0	6.8	0.36	374,439	33.0	—	1.6	23	—		
0.50 to <0.75	4.5	1.5	25.5	5.0	0.59	204,182	28.9	—	1.3	25	—		
0.75 to <2.50	8.8	0.8	25.4	9.2	1.36	357,236	26.1	—	3.0	33	—		
2.50 to <10.00	3.4	1.1	22.4	3.8	4.29	232,231	32.1	—	2.0	53	0.1		
10.00 to <100.00	0.6	0.1	12.2	0.7	23.16	93,806	44.0	—	0.6	95	0.1		
100.00 (Default)	0.3	0.1	11.9	0.3	100.00	42,801	44.0	—	0.4	106	0.2		
Sub-total	38.7	16.0	30.0	45.0	1.93	2,382,294	28.2	—	10.7	24	0.4	0.3	
Retail AIRB – Total at 30 Jun 2018	326.3	147.2	51.0	406.3	1.58	26,845,577	31.4	—	68.3	17	2.4	1.7	

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Table 21: IRB – Credit risk exposures by portfolio and PD range (continued¹)

PD scale	Original on-balance sheet exposure \$bn	Off-balance sheet gross exposures pre-CCF \$bn	Average CCF %	EAD post-CRM and post-CCF \$bn	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs \$bn	RWA density %	Expected loss \$bn	Value adjustment and provisions \$bn
FIRB – Central government and central banks												
0.00 to <0.15	—	—	—	0.1	0.04	1	45.0	4.50	—	29	—	—
Sub-total	—	—	—	0.1	0.04	1	45.0	4.50	—	29	—	—
FIRB – Institutions												
0.00 to <0.15	0.3	—	24.4	0.6	0.10	1	45.0	2.20	0.2	26	—	—
0.15 to <0.25	—	—	63.8	—	0.22	1	45.0	3.30	—	57	—	—
0.25 to <0.50	—	—	73.2	—	0.37	1	45.0	4.30	—	84	—	—
Sub-total	0.3	—	45.7	0.6	0.13	3	45.0	2.40	0.2	34	—	—
FIRB – Corporate – Other												
0.00 to <0.15	9.5	12.1	46.6	15.4	0.08	1,181	43.6	2.30	4.0	26	—	—
0.15 to <0.25	4.0	6.2	39.5	6.1	0.22	1,147	44.3	2.10	2.7	45	—	—
0.25 to <0.50	4.3	5.8	29.3	6.2	0.37	1,290	44.2	1.70	3.5	55	—	—
0.50 to <0.75	4.2	5.5	26.3	5.2	0.63	990	43.2	2.00	3.8	74	—	—
0.75 to <2.50	8.5	9.8	22.6	10.2	1.37	3,373	43.3	1.60	9.4	92	0.1	—
2.50 to <10.00	2.8	1.8	27.9	3.2	4.81	973	43.2	2.00	4.6	142	0.1	—
10.00 to <100.00	0.4	0.3	27.5	0.4	21.53	154	42.7	2.10	0.9	206	—	—
100.00 (Default)	0.7	0.3	37.5	0.8	100.00	321	43.7	1.60	—	—	0.3	—
Sub-total	34.4	41.8	33.9	47.5	2.60	9,429	43.6	2.00	28.9	61	0.5	0.5
FIRB – Total at 30 Jun 2018	34.7	41.8	34.0	48.2	2.57	9,433	43.6	2.00	29.1	60	0.5	0.5

¹ Securitisation positions are not included in this table.

² Slotting exposures are disclosed in Table 23: Specialised lending.

³ The Wholesale AIRB Total includes Non-credit obligation assets ('NCOA') amounting to \$57.2bn of Original exposure and EAD, and \$12.2bn of RWAs.

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Pillar 3 Disclosures at 30 June 2018

Table 21: IRB – Credit risk exposures by portfolio and PD range (continued¹)

PD scale	Original on-balance sheet exposure \$bn	Off-balance sheet gross exposures pre-CCF \$bn	Average CCF %	EAD post-CRM and post-CCF \$bn	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA _s \$bn	RWA density %	Expected loss \$bn	Value adjustment and provisions \$bn
AIRB – Central government and central banks 0.00 to <0.15	292.5	2.1	39.8	294.3	0.02	255	42.5	2.07	24.8	8	—	