HSBC Bank plc

Pillar 3 Disclosures at 31 March 2024
Registered number - 00014259

HSBC

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Certain defined terms

This document comprises the 31 March 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' refers 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.

Introduction

Pillar 3 disclosures and governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 31 March 2024 comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with Part Eight of CRR II and the Prudential Regulation Authority ('PRA') disclosure templates and instructions. 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.

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

The Basel III framework is structured around three 'pillars', 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.

Regulatory reporting processes and controls

The quality of regulatory reporting remains a key priority for management and regulators. We are progressing with a comprehensive programme to strengthen our global processes, improve consistency and enhance controls across regulatory reports.

The ongoing programme of work focuses on our material regulatory reports and is being phased over a number of years. This 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 ('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 2024, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by article 92(1) of CRR II. Narratives are included to explain quantitative disclosures where necessary.

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 submitted in regulatory filings. Where differences are significant, we will restate comparatives.

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

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 other documents.

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 continued to oversee the governance, smooth operation and oversight of HSBC Bank plc.

HSBC Bank plc Pillar 3 Disclosures at 31 March 2024 are approved by 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*		**31 Mar 2024**	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
	Available capital (£m)					
1	Common equity tier 1 ('CET1') capital^	**20,124**	19,230	20,390	19,747	19,984
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**20,124**	19,230	20,390	19,747	19,984
2	Tier 1 capital^	**24,066**	23,124	24,281	23,642	23,876
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**24,066**	23,124	24,281	23,642	23,876
3	Total capital^	**38,634**	37,131	37,112	35,671	37,173
	Total capital as if IFRS 9 transitional arrangements had not been applied	**38,634**	37,131	37,112	35,671	37,173
	Risk-weighted assets ('RWAs') (£m)					
4	Total RWAs^	**113,430**	107,449	109,000	106,627	112,001
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**113,430**	107,449	109,000	106,627	112,001
	Capital ratios (%)					
5	CET1^	**17.7**	17.9	18.7	18.5	17.8
	CET1 as if IFRS 9 transitional arrangements had not been applied	**17.7**	17.9	18.7	18.5	17.8
6	Tier 1^	**21.2**	21.5	22.3	22.2	21.3
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**21.2**	21.5	22.3	22.2	21.3
7	Total capital^	**34.1**	34.6	34.0	33.5	33.2
	Total capital as if IFRS 9 transitional arrangements had not been applied	**34.1**	34.6	34.0	33.5	33.2
	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
UK-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (CCyB)	**0.9**	0.9	0.9	0.6	0.4
11	Combined buffer requirement	**3.4**	3.4	3.4	3.1	2.9
UK-11a	Overall capital requirements	**11.4**	11.4	11.4	11.1	10.9
12	CET1 available after meeting the total SREP own funds requirements	**13.2**	13.4	14.2	14.0	13.3
	Leverage ratio^					
13	Total exposure measure excluding claims on central banks (£m)	**481,973**	455,852	447,967	431,714	431,255
14	Leverage ratio excluding claims on central banks (%)	**5.0**	5.1	5.4	5.5	5.5
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^					
	Average exposure measure excluding claims on central banks (£m)	**469,171**	449,733	430,507	448,477	429,024
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**5.0**	5.1	5.4	5.5	5.5
14b	Leverage ratio including claims on central banks (%)	**4.1**	4.0	4.2	4.3	4.2
14c	Average leverage ratio excluding claims on central banks (%)	**5.1**	5.3	5.6	5.3	5.3
14d	Average leverage ratio including claims on central banks (%)	**4.0**	4.1	4.3	4.2	4.0
14e	Countercyclical leverage ratio buffer (%)	**0.3**	0.3	0.3	0.2	0.1
EU 14d	Leverage ratio buffer requirement (%)	**0.3**	0.3	0.3	0.2	0.1
EU 14e	Overall leverage ratio requirements (%)	**3.6**	3.6	3.6	3.5	3.4
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets (£m)	**104,159**	105,524	106,095	108,593	108,336
UK-16a	Cash outflows – total weighted value (£m)	**118,501**	120,627	123,613	126,649	126,430
UK-16b	Cash inflows – total weighted value (£m)	**47,370**	49,517	52,027	53,934	53,249
16	Total net cash outflow (£m)	**71,131**	71,110	71,586	72,715	73,181
17	LCR ratio (%)	**146**	148	148	149	148
	Net Stable Funding Ratio ('NSFR')					
18	Total available stable funding (£m)	**118,287**	116,303	114,368	112,860	111,775
19	Total required stable funding (£m)	**104,619**	100,094	98,662	96,646	94,279
20	NSFR ratio (%)	**113**	116	116	117	119

* *The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.*
^ *For 31 March 2024, the add-back to CET1 capital and the related tax were immaterial.*

At 31 March 2024, our CET1 capital ratio decreased to 17.7% from 17.9% at 31 December 2023, as a result of a increase in RWAs by £6.0bn, offset by £0.9bn increase in CET1. The key drivers of this (0.2) percentage point decline in our CET1 ratio were:

– a (1.0) percentage point decrease as a result of increase in RWAs mainly due to bank's transitory exposure to the proceeds from the sale of the HSBC Group's Canadian business and HSBC Bank acquisition of HSBC Private Bank (Suisse) SA. This was offset by a fall from the sale of our retail banking operations in France;
– a (0.2) percentage point impact from unfavourable FX movement and other movements;
– a 1.0 percentage point increase from capital generation through share issuance, profits accrual offset by foreseeable dividend.

Our leverage ratio was 5.0% at 31 March 2024, down from 5.1% at 31 December 2023. The increase in leverage exposure led to a fall of (0.3) percentage point in the leverage ratio, primarily due to growth in the balance sheet. This was partly offset by a rise of 0.2 percentage points due to an increase in the Tier 1 Capital.

The average leverage ratio went down to 5.1% at 31 March 2024, from 5.3% at 31 December 2023, primarily due to decrease of (0.2) percentage point driven by a rise in the average leverage exposure, which was mainly due to a growth in the average balance sheet.

Throughout Q1 2024, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

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. Other counterparty credit risk includes securities financing transactions RWAs.

Table 2: Overview of risk-weighted exposure amounts (OV1)

		At		
		31 Mar 2024	31 Dec 2023	**31 Mar 2024**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)**	**61,833**	58,620	**4,946**
2	– standardised approach ('STD')	**21,177**	16,966	**1,694**
3	– foundation internal ratings-based ('FIRB') approach	**16,718**	15,315	**1,337**
4	– slotting approach	**512**	599	**41**
UK-4a	– equities under the simple risk weighted approach[1]	**2,876**	2,990	**230**
5	– advanced IRB ('AIRB') approach	**20,550**	22,750	**1,644**
6	**Counterparty credit risk ('CCR')**	**17,866**	17,037	**1,430**
7	– standardised approach	**4,301**	4,170	**344**
8	– internal model method ('IMM')	**6,322**	6,231	**506**
UK-8a	– exposures to a central counterparty	**327**	295	**26**
UK-8b	– credit valuation adjustment ('CVA')	**1,294**	1,441	**104**
9	– other counterparty credit risk	**5,622**	4,900	**450**
15	**Settlement risk**	**33**	29	**3**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,318**	3,363	**265**
17	– internal ratings-based approach ('SEC-IRBA')	**823**	782	**66**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,505**	1,600	**120**
19	– standardised approach ('SEC-SA')	**877**	868	**70**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (Market risk)**	**17,109**	15,525	**1,369**
21	– standardised approach	**3,465**	2,709	**277**
22	– internal models approach ('IMA')	**13,644**	12,816	**1,092**
23	**Operational risk**	**13,271**	12,875	**1,062**
UK-23b	– standardised approach	**13,271**	12,875	**1,062**
29	**Total**	**113,430**	107,449	**9,075**
24	*– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[2]*	***4,281***	*4,216*	***342***

1 This includes off balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per CRR II Article 132(c).
2 These balances are included in rows 2 and 5 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

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

Credit risk, including amounts below the thresholds for deduction

Credit risk RWAs increased by £3.7bn, primarily due to:

- £3.0bn increase in exposure due to acquisition of HSBC Private Bank (Suisse) SA,
- £1.4bn higher sovereign, corporate lending and other exposures,
- £1.0bn increase from the bank's transitory exposure to the proceeds from the sale of the HSBC Group's Canadian business,
- £0.6bn increase due to methodology changes and credit risk parameter refinements, and
- £0.4bn increase driven by unfavourable credit risk rating migrations and portfolio mix changes.

This was partly offset by £(2.7)bn fall from the sale of our retail banking operations in France, and £(0.5)bn from foreign currency translation differences.

Counterparty credit risk, including settlement risk

RWAs rose by £0.8bn mainly due to increase in Securities Financing Transactions portfolio and credit risk parameter refinements. This was partly offset by a fall in credit value adjustment ('CVA') due to new CVA hedges.

Market risk

Market Risk RWAs rose by £1.6bn primarily due to £1.0bn of increase in Stressed Value at Risk, resulting from heightened volatility. This was further supplemented by £0.7bn increase in transactional and structural foreign exchange exposure, of which £0.4bn due to acquisition of HSBC Private Bank (Suisse) SA.

Operational risk

RWAs rose by £0.4bn, mainly due to £0.5bn increase driven by acquisition of HSBC Private Bank (Suisse) SA, partly offset by £(0.1)bn favourable FX movement.

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

Table 3: RWA flow statements of credit risk exposures under IRB approach (CR8)

		Quarter ended			
		31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**40,283**	41,529	40,334	42,845
2	Asset size	**2,383**	(718)	1,018	(1,156)
3	Asset quality	**178**	(557)	379	(55)
4	Model updates	**—**	—	(239)	97
5	Methodology and policy	**(569)**	(112)	(570)	(398)
6	Acquisitions and disposals	**(2,320)**	487	(48)	—
7	Foreign exchange movements[1]	**(351)**	(346)	655	(999)
9	**RWAs at the closing period**	**39,604**	40,283	41,529	40,334

1 *Foreign exchange movements in this disclosure are computed by retranslating the RWAs into sterling pounds for non-GBP branches, subsidiaries, joint ventures and associates.*

Excluding foreign currency translation differences, RWA under the IRB approach fell by £(0.3)bn during 1Q24.

RWAs decreased by £(2.3)bn primarily due to the sale of our retail banking operations in France £(2.7)bn, partly offset by £0.4bn increase due to acquisition of HSBC Private Bank (Suisse) SA.

Changes in methodology and policy led to a £(0.6)bn decrease in RWAs, mostly due to credit risk parameter refinements and other methodology changes.

This was partly offset by £2.4bn rise in asset size, mainly due to £1.0bn increase from the bank's transitory exposure to the proceeds from the sale of the HSBC Group's Canadian business, and £1.4bn higher sovereign and corporate lending exposures.

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

Table 4: RWA flow statements of counterparty credit risk exposures under the IMM (CCR7)

		Quarter ended			
		31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,231**	6,530	6,246	5,945
2	Asset size	**75**	12	(18)	468
3	Credit quality of counterparties	**(41)**	(21)	26	(2)
7	Foreign exchange movements	**57**	(290)	276	(165)
9	**RWAs at end of period**	**6,322**	6,231	6,530	6,246

RWAs under the internal model method increased by £0.1bn, predominantly driven by increase in asset size movement due to new trades booked coupled with unfavourable foreign exchange movement.

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 5: 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 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	—	—	—	—	—	
4	Methodology and policy	—	—	—	—	—	—
6	Foreign exchange movements	**36**	**59**	**16**	**7**	**118**	**9**
8	**RWAs at 31 Mar 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)
4	Methodology and policy	—	—	—	—	—	—
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	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—
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
1	RWAs at 1 Apr 2023	4,606	6,178	1,812	860	13,456	1,076
2	Movement in risk levels	352	(964)	88	(208)	(732)	(58)
3	Model updates/changes	8	8	—	(70)	(54)	(4)
4	Methodology and policy	56	56	—	—	112	9
6	Foreign exchange movements	(128)	(171)	(50)	(24)	(373)	(30)
8	RWAs at 30 Jun 2023	4,894	5,107	1,850	558	12,409	993

RWAs under the internal models approach rose by £0.8bn, mainly attributed to an increase in value at risk and stressed value at risk averages due to the heightened volatility. This was partially offset by a decrease in IRC due to reduced exposure to sovereign obligors.

Liquidity

Management of liquidity and funding risk

Liquidity coverage ratio

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

At 31 March 2024 our LCR decreased to 146.4% from 148.4% at 31 December 2023.

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.

At 31 March 2024, our NSFR ratio decreased to 113.1% from 116.2% at 31 December 2023. 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.

Sources of funding

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

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.

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

Table 6: Level and components of HSBC Bank plc liquidity coverage ratio (LIQ1)

		Quarter ended							
UK-1a		**31 Mar 2024**		31 Dec 2023		30 Sep 2023		30 Jun 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
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')		**104,159**		105,524		106,095	—	108,593
Cash outflows									
2	Retail deposits and small business funding	**18,081**	**2,692**	18,419	2,661	18,618	2,671	18,625	2,670
3	– *of which:* *stable deposits*	***3,173***	***159***	*3,576*	*179*	*3,684*	*184*	*3,664*	*183*
4	*less stable deposits*	***14,907***	***2,534***	*14,843*	*2,482*	*14,909*	*2,487*	*14,938*	*2,487*
5	Unsecured wholesale funding	**139,568**	**75,614**	140,282	75,905	141,328	76,582	144,618	78,886
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**49,498**	**12,328**	49,727	12,387	49,470	12,323	50,373	12,549
7	– non-operational deposits (all counterparties)	**88,328**	**61,544**	88,807	61,770	90,403	62,805	92,779	64,873
8	– unsecured debt	**1,742**	**1,742**	1,748	1,748	1,455	1,455	1,465	1,465
9	Secured wholesale funding		**8,825**		9,216		8,688		7,631
10	Additional requirements	**39,670**	**21,189**	40,812	22,687	43,201	24,766	45,411	26,372
11	– outflows related to derivative exposures and other collateral requirements	**18,836**	**15,655**	19,893	17,078	21,369	18,843	21,934	19,810
13	– credit and liquidity facilities	**20,834**	**5,534**	20,919	5,609	21,831	5,924	23,477	6,562
14	Other contractual funding obligations	**20,799**	**9,062**	20,656	9,144	21,672	10,035	23,442	10,294
15	Other contingent funding obligations	**35,176**	**1,117**	39,468	1,014	45,566	870	51,637	796
16	**Total cash outflows**		**118,501**		120,627		123,613		126,649
Cash inflows									
17	Secured lending transactions (including reverse repos)	**109,498**	**19,536**	105,807	20,406	100,569	19,880	94,075	20,136
18	Inflows from fully performing exposures	**8,849**	**8,474**	8,788	8,418	9,711	9,327	10,493	10,128
19	Other cash inflows	**38,934**	**19,360**	40,259	20,693	41,814	22,820	42,200	23,670
20	**Total cash inflows**	**157,280**	**47,370**	154,854	49,517	152,094	52,027	146,768	53,934
UK-20c	Inflows subject to 75% cap	**124,065**	**47,370**	122,585	49,517	122,069	52,027	122,044	53,934
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**104,159**		105,524		106,095		108,593
22	Total net cash outflows		**71,131**		71,110		71,586		72,715
23	Liquidity coverage ratio (%)		**146**		148		148		149

Cautionary statement regarding forward-looking statements

This Pillar 3 Disclosure at 31 March 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 the impact of the Russia-Ukraine war on inflation); 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 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 'Top and emerging risks' on pages 23 to 28 of the Annual Report and Accounts 2023.

Abbreviations

$	United States dollar
AIRB[1]	Advanced internal ratings-based approach
AT1 capital	Additional tier 1 capital
Basel	Basel Committee on Banking Supervision
CCR[1]	Counterparty credit risk
CCyB	Countercyclical capital buffer
CCP	Central Counterparty
CET1[1]	Common equity tier 1
CIU	Collective investment undertaking
CMB	Commercial Banking, a global business
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
EBA	European Banking Authority
ECL[1]	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied
EEA	European Economic Area
EU	European Union
FIRB[1]	Foundation internal-ratings based approach
FSB	Financial Stability Board
GBM	Global Banking and Markets, a global business
Group	HSBC Holdings together with its subsidiary undertakings
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
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
LCR[1]	Liquidity coverage ratio
LREQ	Leverage Ratio Requirements
MDB	Multilateral Development Bank
MENA	Middle East and North Africa
MREL	Minimum requirements for own funds and eligible liabilities
NSFR[1]	Net stable funding ratio
PRA[1]	Prudential Regulation Authority (UK)
RWA[1]	Risk-weighted asset
SEC-ERBA	Securitisation external rating-based approach
SEC-IRBA	Securitisation internal rating-based approach
SEC-SA	Securitisation standardised approach
SREP	Supervisory review and evaluation process
TLAC[1]	Total loss absorbing capacity
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
UK	United Kingdom
US	United States
VaR[1]	Value at risk

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

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