HSBC Bank plc

Pillar 3 Disclosures at 31 March 2023
Registered number - 00014259

HSBC

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This document comprises the 31 March 2023 Pillar 3 disclosures for HSBC Bank Plc.

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

This document contains certain forward-looking statements with respect to the financial condition, result of operations and business of the group.

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

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

Introduction

Pillar 3 disclosures

Regulatory framework for disclosure

We are 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, which set and monitor local capital adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital 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 ('Basel'), as implemented by the European Union ('EU') in CRR II, and in the PRA Rulebook for the UK banking industry.

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

Following the end of the transitional period following the UK's withdrawal from the EU, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended.

Our *Pillar 3 Disclosures at 31 March 2023* comprises both quantitative and qualitative information required under Pillar 3. They are made in accordance with Part Eight of CRR II and the European Banking Authority ('EBA') guidelines on disclosure requirements. 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 disclosure policy framework approved by the group Audit Committee.

Comparatives

To give insight into movements during the quarter, 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 of the Capital Requirements Regulation. Table name references and row numbering in tables identify those prescribed in the relevant EBA guidelines where applicable and where there is a value.

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

Frequency and location

We publish comprehensive Pillar 3 disclosures quarterly on our website www.hsbc.com. Pillar 3 requirements may be met by inclusion in other disclosure media. We continue to engage in the work of the UK authorities and industry associations to improve the transparency and comparability of UK banks' Pillar 3 disclosures.

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 and its principal and material subsidiaries.

HSBC *Pillar 3 Disclosures at 31 March 2023* are approved by the HSBC Bank Plc Board of Directors.

This Pillar 3 Disclosure Report was approved by the HSBC Board on 9 May 2023 and signed on its behalf by:

David Watts

HSBC Bank Plc Chief Financial Officer

Key metrics

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

Ref*		At				
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
	Available capital (£m)[1,2]					
1	Common equity tier 1 ('CET1') capital^	**19,984**	18,411	17,521	18,139	17,935
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**19,984**	18,392	17,501	18,121	17,914
2	Tier 1 capital^	**23,876**	22,304	21,409	22,031	21,831
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**23,876**	22,284	21,389	22,014	21,810
3	Total capital^	**37,173**	35,414	34,249	34,510	33,363
	Total capital as if IFRS 9 transitional arrangements had not been applied	**37,173**	35,394	34,229	34,492	33,342
	Risk-weighted assets ('RWAs') (£m)[2]					
4	Total RWAs^	**110,910**	112,237	123,121	121,885	113,887
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**110,910**	112,220	123,104	121,868	113,867
	Capital ratios (%)[1,2]					
5	CET1^	**18.0**	16.4	14.2	14.9	15.7
	CET1 as if IFRS 9 transitional arrangements had not been applied	**18.0**	16.4	14.2	14.9	15.7
6	Tier 1^	**21.5**	19.9	17.4	18.1	19.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**21.5**	19.9	17.4	18.1	19.2
7	Total capital^	**33.5**	31.6	27.8	28.3	29.3
	Total capital as if IFRS 9 transitional arrangements had not been applied	**33.5**	31.5	27.8	28.3	29.3
	Additional own funds requirements based on supervisory review and evaluation process ('SREP') as a percentage of RWAs (%)					
UK-7d	Total SREP own funds requirements	**8.0**	8.0	8.0	8.0	8.0
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer	**0.4**	0.3	0.0	0.0	0.0
11	Combined buffer requirement	**2.9**	2.8	2.5	2.5	2.5
UK-11a	Overall capital requirements	**10.9**	10.8	10.5	10.5	10.5
12	CET1 available after meeting the total SREP own funds requirements[2]	**13.5**	11.9	9.7	10.4	11.2
	Leverage ratio^,[2,3]					
13	Total exposure measure excluding claims on central banks (£m)	**431,255**	416,814	461,716	447,205	424,220
14	Leverage ratio excluding claims on central banks (%)	**5.5**	5.4	4.6	4.9	5.2
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^,[3,4]					
	Average exposure measure excluding claims on central banks (£m)	**429,024**	N/A	N/A	N/A	N/A
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.5**	N/A	N/A	N/A	N/A
14b	Leverage ratio including claims on central banks (%)	**4.2**	N/A	N/A	N/A	N/A
14c	Average leverage ratio excluding claims on central banks (%)	**5.3**	N/A	N/A	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)	**4.0**	N/A	N/A	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	**0.1**	N/A	N/A	N/A	N/A
EU 14d	Leverage ratio buffer requirement (%)	**0.1**	N/A	N/A	N/A	N/A
EU 14e	Overall leverage ratio requirements (%)	**3.4**	N/A	N/A	N/A	N/A
	Liquidity coverage ratio ('LCR')[5,6]					
15	Total high-quality liquid assets (£m)	**108,336**	104,491	102,609	98,962	98,114
UK-16a	Cash outflows – total weighted value (£m)	**126,430**	122,833	118,095	112,046	108,705
UK-16b	Cash inflows – total weighted value (£m)	**53,249**	49,831	46,419	42,534	39,853
16	Total net cash outflow (£m)	**73,181**	73,002	71,675	69,512	68,852
17	LCR ratio (%)	**148.0**	143.1	143.2	142.4	142.5
	Net Stable Funding Ratio ('NSFR')[6,7]					
18	Total available stable funding (£m)	**111,775**	107,679	107,425	105,549	102,367
19	Total required stable funding (£m)	**94,279**	93,310	92,065	91,458	92,179
20	NSFR ratio (%)	**118.6**	115.4	116.7	115.4	111.1

* *The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.*
^ *Figures have been prepared on an IFRS 9 transitional basis. At 31 March 2023, the add-back to CET1 capital and the related tax have been not applied as they were immaterial.*
1 *Capital figures and ratios are reported using CRR II transitional basis for capital instruments.*
2 *From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparatives data have been represented accordingly.*
3 *The leverage ratio is calculated using the CRR II end point basis for capital.*
4 *From 1 January 2023 HSBC Bank plc became an LREQ firm subject to Average leverage ratio requirement.*
5 *LCR disclosure is calculated based on 12 month-end averages.*
6 *These LCR and NSFR amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.*
7 *NSFR is calculated in line with PRA guidance, which came into effect on 1 January 2022. NSFR disclosure is calculated based on the average of preceding quarters.*

At 31 March 2023, our CET1 capital ratio increased to 18.0% from 16.4% at 31 Dec 2022, reflecting an decrease in RWAs of £1.3bn and an increase in CET1 capital of £1.6bn. The key drivers of this 1.6 percentage point rise in our CET1 ratio were:

- a 1.4 percentage point increase from gain on reversal of planned sale of our French retail banking business and capital generation through profits;
- a 0.2 percentage point rise as a result of the decrease in RWAs, mainly driven by portfolio mix and foreign currency translation.

At 31 March 2023, our average leverage ratio excluding central bank came to 5.3%, and it was lower than quarter-end leverage ratio of 5.5%. The difference of 0.2 percentage point is mainly due to average tier 1 capital falling by £(1.0)bn over the quarter.

Risk-weighted assets

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

		At		
		31 Mar 2023	31 Dec 2022	**31 Mar 2023**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)[2,3]**	**62,334**	63,431	**4,988**
2	– standardised approach[3]	**17,334**	21,356	**1,387**
3	– foundation internal ratings-based ('FIRB') approach	**17,257**	17,362	**1,381**
4	– slotting approach	**953**	1,314	**76**
UK-4a	– equities under the simple risk weighted approach[4]	**2,170**	—	**174**
5	– advanced IRB ('AIRB') approach	**24,620**	23,399	**1,970**
6	**Counterparty credit risk ('CCR')[2]**	**17,552**	17,834	**1,405**
7	– standardised approach[5]	**4,654**	4,472	**372**
8	– internal model method ('IMM')[5]	**5,945**	6,536	**476**
UK-8a	– exposures to a central counterparty[5]	**473**	199	**38**
UK-8b	– credit valuation adjustment	**1,972**	1,543	**158**
9	– other counterparty credit risk[5,6]	**4,508**	5,084	**361**
15	**Settlement risk**	**95**	147	**8**
16	**Securitisation exposures in the non-trading book**	**3,394**	3,456	**272**
17	– internal ratings-based approach ('SEC-IRBA')	**714**	794	**57**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,723**	1,764	**138**
19	– standardised approach ('SEC-SA')	**844**	785	**68**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (market risk)**	**16,059**	15,822	**1,285**
21	– standardised approach	**2,602**	2,403	**208**
22	– internal models approach ('IMA')	**13,457**	13,419	**1,077**
23	**Operational risk**	**11,476**	11,547	**918**
UK-23b	– standardised approach	**11,476**	11,547	**918**
29	**Total**	**110,910**	112,237	**8,873**
24	– *of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[7]*	***3,884***	*4,091*	***311***

1 'Capital requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II.
2 From 1 January 2023, RWAs related to free deliveries have been allocated to credit risk, having previously been classified under counterparty credit risk.
3 From 1 January 2023, we adopted IFRS17 'Insurance Contracts', which replaced IFRS4 'Insurance Contracts'. Comparative data have been represented accordingly.
4 From 31 March 2023 the CIU equity exposures were moved from standardised approach to advance approach line.
5 From 1 January 2023, RWAs related to CCPs have been reclassified to row 8a within Counterparty Credit Risk section.
6 Other CCR includes RWAs on securities financing transaction.
7 These balances are included in rows 2 and 5 of the table and includes higher 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)

RWAs fell by £1.1bn primarily due to improvement in portfolio mix and foreign currency translation including £0.2bn reduction in deferred tax.

Counterparty credit risk

RWAs rose by £0.3bn primarily due to a £0.4bn rise in credit valuation adjustment notably due to removal of hedges benefit in standardized credit valuation adjustment. This is coupled with a £0.2bn book size rise in SFT exposures. This was partly offset by a £0.3bn fall largely due to book size movements in OTC exposures. Further minor reduction stemmed from fall in settlement risk.

Securitisation

The £62m decline in RWAs is mainly due to repayments in our Regency portfolio under the Sec-ERBA approach.

Market risk

RWAs on the standardised approach rose by £199m as a result of increased equity underwriting commitments, coupled with higher Foreign Exchange risk due to increased Euro CET1 capital in Continental Europe.

Operational risk

Operational risk RWAs decreased by £71m, due to foreign currency translation differences.

Table 3: RWA flow statements of credit risk exposures under IRB approach (CR8)[1]

		Quarter ended			
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**41,062**	48,860	49,545	47,207
2	Asset size	**237**	(5,130)	(250)	2,040
3	Asset quality	**(445)**	44	(703)	(139)
4	Model updates	**—**	(200)	(1,113)	140
5	Methodology and policy	**2,500**	(2,329)	604	(869)
7	Foreign exchange movements[2]	**(509)**	(183)	777	1,166
9	**RWAs at the closing period**	**42,845**	41,062	48,860	49,545

1 *Table excludes securitisation positions and non-credit obligation assets and includes free deliveries.*
2 *Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates.*

RWAs on the IRB approach increased by £1.8bn. This is primarily driven by a £2.8bn increase due to a change of approach for the equity positions within CIU (moving from STD to IRB).

This was partially offset by a £1.0bn decrease due to foreign currency translation differences (mainly the appreciation of the British pound against the Euro and US dollar) and improvements in asset quality.

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

		Quarter ended			
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,526**	8,137	7,335	7,164
2	Asset size	**(372)**	(957)	1,052	207
3	Asset quality	**(37)**	(12)	(20)	(76)
4	Model updates	**—**	—	—	—
5	Methodology and policy	**—**	(7)	(153)	53
6	Acquisitions and disposals	**—**	—	—	—
7	Foreign exchange movements	**(172)**	(635)	(77)	(13)
8	Write-offs	**—**	—	—	—
9	**RWAs at end of period**	**5,945**	6,526	8,137	7,335

RWAs under the internal model method decreased by £0.6bn in 1Q23, predominantly due to mark-to-market movements in book size which reduced the RWAs by £0.4bn.

This was further supplemented by a £0.2bn decrease driven by foreign exchange movements.

Table 5: RWA flow statements of market risk exposures under IMA (MR2-B)

		VaR	**Stressed VaR**	**Incremental risk charge ('IRC')**	**Other**	**Total RWAs**	**Total own fund requirements**
Ref		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1	**RWAs at 1 Jan 2023**	**5,373**	**5,487**	**1,335**	**1,223**	**13,419**	**1,074**
2	Movement in risk levels	**(767)**	**691**	**477**	**(363)**	**38**	**3**
4	Methodology and policy	**—**	**—**	**—**	**—**	**—**	**—**
8	**RWAs at 31 Mar 2023**	**4,606**	**6,178**	**1,812**	**860**	**13,457**	**1,077**
1	RWAs at 1 Oct 2022	5,576	5,641	1,627	1,003	13,848	1,108
2	Movement in risk levels	(203)	(154)	29	220	(108)	(9)
4	Methodology and policy	—	—	(321)	—	(321)	(26)
8	RWAs at 31 Dec 2022	5,373	5,487	1,335	1,223	13,419	1,074
1	RWAs at 1 Jul 2022	4,799	4,817	1,508	752	11,877	950
2	Movement in risk levels	777	824	(79)	251	1,773	142
4	Methodology and policy	—	—	198	—	198	16
8	RWAs at 30 Sep 2022	5,576	5,641	1,627	1,003	13,848	1,108
1	RWAs at 1 Apr 2022	2,864	5,202	904	900	9,870	789
2	Movement in risk levels	1,935	(385)	604	(123)	2,032	163
4	Methodology and policy	—	—	—	(25)	(25)	(2)
8	RWAs at 30 Jun 2022	4,799	4,817	1,508	752	11,877	950

RWAs on the internal models approach have remained flat (rose only by £38m as a increased P&L losses observed in Value at Risk and Stressed Value at Risk have been offset by reduced Value at Risk VaR Back testing breaches (changing the capital multipliers from 4.1 to 3.6).

Liquidity

Management of liquidity and funding risk

Liquidity coverage ratio

The Liquidity Coverage Ratio ('LCR') aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario. At 31 March 2023, we were above regulatory minimum levels.

Net stable funding ratio

HSBC Bank plc uses an internally adjusted net stable funding ratio ('NSFR') as a basis for establishing stable funding needs. The adjusted 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.

From 2022, internally adjusted NSFR is supplemented by regulatory NSFR. At 31 March 2023, we maintained sufficient stable funding relative to the required stable funding assessed using the NSFR.

Table 6: Level and components of HSBC Bank plc liquidity coverage ratio (LIQ1)[1]

		Quarter ended							
UK-1a		**31 Mar 2023**		31 Dec 2022		30 Sep 2022		30 Jun 2022	
		Total un-weighted value	**Total weighted value**	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value	Total un-weighted 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')	**—**	**108,336**		104,491		102,609		98,962
Cash outflows									
2	Retail deposits and small business funding	**18,002**	**2,547**	17,264	2,399	16,631	2,274	16,147	2,187
3	– *of which:* *stable deposits*	***3,645***	***182***	*3,699*	*185*	*3,882*	*194*	*4,047*	*202*
4	*less stable deposits*	***14,338***	***2,365***	*13,545*	*2,215*	*12,731*	*2,080*	*12,082*	*1,985*
5	Unsecured wholesale funding	**143,498**	**78,697**	140,772	77,428	138,906	76,715	135,606	74,782
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**50,499**	**12,580**	50,093	12,477	48,844	12,164	47,174	11,745
7	– non-operational deposits (all counterparties)	**91,651**	**64,770**	89,096	63,368	87,886	62,374	86,008	60,613
8	– unsecured debt	**1,347**	**1,347**	1,584	1,584	2,177	2,177	2,424	2,424
9	Secured wholesale funding		**6,284**		5,273		4,717		4,636
10	Additional requirements	**47,500**	**28,048**	47,397	27,747	45,466	25,906	43,157	23,173
11	– outflows related to derivative exposures and other collateral requirements	**22,500**	**20,797**	21,298	19,981	18,722	17,862	15,789	15,008
12	– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
13	– credit and liquidity facilities	**25,000**	**7,252**	26,100	7,766	26,744	8,044	27,368	8,165
14	Other contractual funding obligations	**24,908**	**10,146**	25,693	9,319	24,781	7,802	22,974	6,576
15	Other contingent funding obligations	**56,774**	**708**	57,422	666	56,578	681	56,785	691
16	**Total cash outflows**		**126,430**		122,833		118,095		112,046
Cash inflows									
17	Secured lending transactions (including reverse repos)	**85,748**	**18,734**	79,240	17,314	76,003	17,164	76,143	17,442
18	Inflows from fully performing exposures	**10,759**	**10,368**	10,284	9,913	9,694	9,355	9,028	8,704
19	Other cash inflows	**41,723**	**24,147**	39,738	22,605	36,733	19,901	33,125	16,388
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		**—**		—		—		—
UK-19b	(Excess inflows from a related specialised credit institution)		**—**		—		—		—
20	**Total cash inflows**	**138,230**	**53,249**	129,262	49,831	122,429	46,419	118,296	42,534
UK-20a	Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	**118,972**	**53,249**	114,882	49,831	110,998	46,419	106,221	42,534
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**108,336**		104,491		102,609		98,962
22	Total net cash outflows		**73,181**		73,002		71,675		69,512
23	Liquidity coverage ratio (%)		**148.0**		143.1		143.2		142.4

1 *These amounts relate to HSBC Bank plc as a single entity (excluding subsidiaries) and are not produced on a consolidated basis. The LCR for 31 March 2023 is reported as specified in the PRA Rulebook effective since 1 January 2022. LCR disclosure is calculated based on 12 month-end averages. ending respectively.*

Cautionary statement regarding forward-looking statements

This *Pillar 3 Disclosures at 31 March 2023 contains certain* forward-looking statements with respect to HSBC's financial condition; results of operations and business, including the strategic priorities; and financial, investment and capital targets described herein.

Statements that are not historical facts, including statements about HSBC'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. HSBC 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, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC'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 we operate, such as new recessions, inflationary pressures and fluctuations in employment and creditworthy customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Covid-19 pandemic and the Russia-Ukraine war); the Covid-19 pandemic, which may continue to have adverse impacts on our income due to lower lending and transaction volumes, lower wealth and insurance manufacturing revenue, and volatile interest rates in markets where we operate, as well as, more generally, the potential for material adverse impacts on our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Covid-19 pandemic and the Russia-Ukraine war); potential changes in HSBC's dividend policy; changes in foreign exchange rates and interest rates, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war and the related imposition of sanctions, diplomatic tensions, including between China and the US, the UK, the EU, India and other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may affect the Group by creating regulatory, reputational and market risks; the efficacy of government, customer, and HSBC's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, each of which can impact HSBC both directly and indirectly through our 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 us as a conduit for illegal activities without our knowledge; the discontinuation of certain key Ibors and the development of near risk-free benchmark rates, as well as the transition of legacy Ibor contracts to near risk-free benchmark rates, which exposes HSBC to material execution risks, and increases some financial and non-financial risks; and price competition in the market segments we serve;
- 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 we operate and the consequences thereof (including, without limitation, actions taken as a result of the Covid-19 pandemic); 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 HSBC, 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 following the UK's withdrawal from the EU, which may continue to be characterised by uncertainty, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the UK and the EU; passage of the Hong Kong national security law and restrictions on telecommunications, as well as the US Hong Kong Autonomy Act, which have caused tensions between China, the US and the UK; 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 we operate including increased competition from non-bank financial services companies; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG targets, commitments and ambitions (including with respect to the commitments set forth in our thermal coal phase-out policy and our targets to reduce our on-balance sheet financed emissions in the oil and gas and power and utilities sectors), which may result in our failure to achieve any of the expected benefits of our strategic priorities; model limitations or failure, including, without limitation, the impact that the consequences of the Covid-19 pandemic have had on the performance and usage of financial models, which may require us 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 we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; changes in insurance customer behaviour and insurance claim rates; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in accounting standards, including the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way we prepare our financial statements and (with respect to IFRS 17) may negatively affect the profitability of HSBC's insurance business; changes in our ability to manage third-party, fraud and reputational risks inherent in our 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 our ability to recruit and retain senior

management and diverse and skilled personnel; and changes in our ability to develop sustainable finance and climate-related products consistent with the evolving expectations of our regulators, and our capacity to measure the climate impact from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our climate ambition, our targets to reduce financed emissions in our oil and gas and power and utilities portfolio and the commitments set forth in our thermal coal phase-out policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Risk' on pages 17 to 18 of the *HSBC Holding plc Earnings Release 1Q23*.

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
CCP	Central Counterparty
CET1[1]	Common equity tier 1
CIU	Collective investment undertaking
CMB	Commercial Banking, a global business
CRR II	Revised Capital Requirements Regulation, as implemented
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
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 internal rating-based approach
SEC-IRBA	Securitisation external 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