HSBC Bank plc

Pillar 3 Disclosures at 30 September 2023
Registered number - 00014259

HSBC

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This document comprises the 30 September 2023 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' 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

We are supervised on a consolidated basis in the United Kingdom ('UK') by the Prudential Regulation Authority ('PRA'), which receives information on the capital and liquidity adequacy of, and sets capital and liquidity 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 and liquidity requirements of local regulatory authorities.

Any references to 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 as may be subsequently amended under UK law. We refer to the regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876) as 'CRR II'.

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. 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 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 condition, risk exposures and risk management processes, and hence their capital adequacy.

Our *Pillar 3 Disclosures at 30 September 2023* comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of CRR II and use the PRA's disclosure templates and instructions. They 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 HSBC Group Audit Committee.

Comparatives

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

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

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

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.

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 Bank plc *Pillar 3 Disclosures at 30 September 2023* are approved by HSBC Bank plc Chief Financial Officer.

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 processes, improve consistency, and enhance controls across our regulatory reports, focusing on our prudential regulatory reporting and other priority regulatory reports globally.

Our ongoing programme of work on our prudential regulatory reports is being phased over a number of years, prioritising RWA, capital and liquidity reporting. This programme includes both data enhancement and the transformation of the reporting systems that they flow into. While this programme continues, there may be further impacts on some of our regulatory ratios, such as 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. We are also establishing enhanced risk stewardship and assurance over our regulatory reports and have developed a strategic inventory and tooling to drive consistent standards and accountability.

Key metrics

KM1 table below sets out the key regulatory metrics covering HSBC Bank plc available capital (including buffer requirements and ratios), RWAs, leverage, liquidity coverage and net stable funding ratios.

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

		At				
Ref*		**30 Sep 2023**	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
	Available capital (£m)[1,2]					
1	Common equity tier 1 ('CET1') capital^	**20,390**	19,747	19,984	18,411	17,521
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**20,390**	19,747	19,984	18,392	17,501
2	Tier 1 capital^	**24,281**	23,642	23,876	22,304	21,409
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**24,281**	23,642	23,876	22,284	21,389
3	Total capital^	**37,112**	35,671	37,173	35,414	34,249
	Total capital as if IFRS 9 transitional arrangements had not been applied	**37,112**	35,671	37,173	35,394	34,229
	Risk-weighted assets ('RWAs') (£m)[2]					
4	Total RWAs^	**107,790**	105,463	110,910	112,237	123,121
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**107,790**	105,463	110,910	112,220	123,104
	Capital ratios (%)[1,2]					
5	CET1^	**18.9**	18.7	18.0	16.4	14.2
	CET1 as if IFRS 9 transitional arrangements had not been applied	**18.9**	18.7	18.0	16.4	14.2
6	Tier 1^	**22.5**	22.4	21.5	19.9	17.4
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**22.5**	22.4	21.5	19.9	17.4
7	Total capital^	**34.4**	33.8	33.5	31.6	27.8
	Total capital as if IFRS 9 transitional arrangements had not been applied	**34.4**	33.8	33.5	31.5	27.8
	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 (CCyB)	**0.9**	0.6	0.4	0.3	0.0
11	Combined buffer requirement	**3.4**	3.1	2.9	2.8	2.5
UK-11a	Overall capital requirements	**11.4**	11.1	10.9	10.8	10.5
12	CET1 available after meeting the total SREP own funds requirements[2]	**14.4**	14.2	13.5	11.9	9.7
	Leverage ratio^,2,3					
13	Total exposure measure excluding claims on central banks (£m)	**447,967**	431,714	431,255	416,814	461,716
14	Leverage ratio excluding claims on central banks (%)	**5.4**	5.5	5.5	5.4	4.6
	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)	**430,507**	448,477	429,024	N/A	N/A
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.4**	5.5	5.5	N/A	N/A
14b	Leverage ratio including claims on central banks (%)	**4.2**	4.3	4.2	N/A	N/A
14c	Average leverage ratio excluding claims on central banks (%)	**5.6**	5.3	5.3	N/A	N/A
14d	Average leverage ratio including claims on central banks (%)	**4.3**	4.2	4.0	N/A	N/A
14e	Countercyclical leverage ratio buffer (%)	**0.3**	0.2	0.1	N/A	N/A
EU 14d	Leverage ratio buffer requirement (%)	**0.3**	0.2	0.1	N/A	N/A
EU 14e	Overall leverage ratio requirements (%)	**3.6**	3.5	3.4	N/A	N/A
	Liquidity coverage ratio ('LCR')[5,6]					
15	Total high-quality liquid assets (£m)	**106,095**	108,593	108,336	104,491	102,609
UK-16a	Cash outflows – total weighted value (£m)	**123,613**	126,649	126,430	122,833	118,095
UK-16b	Cash inflows – total weighted value (£m)	**52,027**	53,934	53,249	49,831	46,419
16	Total net cash outflow (£m)	**71,586**	72,715	73,181	73,002	71,675
17	LCR ratio (%)	**148**	149	148	143	143
	Net Stable Funding Ratio ('NSFR')[6,7]					
18	Total available stable funding (£m)	**114,368**	112,860	111,775	107,679	107,425
19	Total required stable funding (£m)	**98,662**	96,646	94,279	93,310	92,065
20	NSFR ratio (%)	**116**	117	119	115	117

* *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 30 September 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 30 September 2023, our CET1 capital ratio increased to 18.9% from 18.7% at 30 June 2023, as a result of a £0.6bn increase in CET1. RWAs also rose by £2.3bn. The key drivers of this 0.2 percentage point rise in our CET1 ratio were:

- a 0.7 percentage point increase from capital generation through profits;
- a 0.4 percentage point decrease as a result of increase in RWAs due to movements in lending portfolio and foreign currency translation, partially offset by management initiatives.

At 30 September 2023, our institution specific CCyB ratio increased to 0.9% from 0.6% at 30 June 2023, reflecting change in CCyB rate for Great Britain from 1% to 2% leading to institutional capital buffer increasing from £12m to £31m.

The average leverage ratio went up to 5.6% at 30 September 2023, from 5.3% at 30 June 2023, primarily due to increase of 0.2 percentage point driven by a decline in the average leverage exposure, which was primarily due to a fall in the average balance sheet. Further increase of 0.1 percentage point in average tier 1 capital.

Throughout 2023, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

Risk-weighted assets

Table OV1 below shows the total RWAs split and the corresponding total own funds requirement by risk type.

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

		At		
		30 Sep 2023	30 Jun 2023	**30 Sep 2023**
		RWAs	RWAs	**Total own funds requirement[1]**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)[2]**	**58,800**	58,512	**4,704**
2	– standardised approach	**15,522**	16,546	**1,242**
3	– foundation internal ratings-based ('FIRB') approach	**15,879**	15,260	**1,270**
4	– slotting approach	**602**	577	**48**
UK-4a	– equities under the simple risk weighted approach[3]	**2,909**	2,738	**233**
5	– advanced IRB ('AIRB') approach	**23,888**	23,392	**1,911**
6	**Counterparty credit risk ('CCR')**	**18,343**	17,681	**1,466**
7	– standardised approach	**4,793**	4,540	**383**
8	– internal model method ('IMM')	**6,530**	6,246	**522**
UK-8a	– exposures to a central counterparty	**443**	384	**35**
UK-8b	– credit valuation adjustment – CVA	**1,596**	2,022	**128**
9	– other counterparty credit risk[4]	**4,981**	4,489	**398**
15	**Settlement risk**	**20**	33	**2**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,284**	3,325	**262**
17	– internal ratings-based approach ('SEC-IRBA')	**738**	715	**59**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,616**	1,656	**129**
19	– standardised approach ('SEC-SA')	**817**	841	**65**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (Market risk)**	**15,969**	14,591	**1,278**
21	– standardised approach	**2,209**	2,182	**177**
22	– internal models approach ('IMA')	**13,760**	12,409	**1,101**
23	**Operational risk**	**11,374**	11,321	**910**
UK-23b	– standardised approach	**11,374**	11,321	**910**
29	**Total**	**107,790**	105,463	**8,622**
24	– *of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[5]*	***4,007***	*3,860*	***321***

1 'Total own funds requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II.
2 Credit risk includes RWAs on free deliveries amounting to (£ 0.4bn).
3 This line includes off balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per CRR II Article 132(c).
4 Other CCR includes RWAs on securities financing transaction.
5 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 rose by £0.3bn primarily due to £0.9bn unfavourable FX movements and £0.2bn other balance sheet movements. This was partially offset by £(0.5)bn decrease driven by sale of our business in Greece and the transfer of business to HSBC Private Bank's Guernsey branch. It was further supplemented by (0.3)bn decrease due to model updates.

Counterparty credit risk (including settlement risk)

RWAs rose by £0.7bn mainly due to increase in cash exposures and Securities Financing Transactions portfolio. This was partly offset by a fall in credit value adjustment ('CVA') due to new CVA hedges.

Securitisation

The £41m decline in RWA is primarily due to reduction in asset-backed financing portfolio and swaps positions.

Market risk

RWAs rose by £1.4bn primarily due to increase in Stressed Value at Risk, resulting from higher P&L losses and due to unfavourable FX translation movements.

Operational risk

RWAs increased by £53m, due to unfavourable FX movements.

Table CR8 below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the IRB approach.

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

		Quarter ended			
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**40,334**	42,845	41,062	48,860
2	Asset size	**1,018**	(1,156)	237	(5,130)
3	Asset quality	**379**	(55)	(445)	44
4	Model updates	**(239)**	97	—	(200)
5	Methodology and policy	**(570)**	(398)	2,500	(2,329)
6	Acquisitions and disposals	**(48)**	—	—	—
7	Foreign exchange movements[2]	**655**	(999)	(509)	(183)
9	**RWAs at the closing period**	**41,529**	40,334	42,845	41,062

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 £1.2bn. This is primarily driven by a £1.0bn increase in lending portfolio, £0.7bn increase driven by unfavourable FX movements and £0.4bn increase due to portfolio mix changes and credit risk rating migrations. This was partially offset by a £(0.6)bn decrease due to management initiatives and £(0.2)bn decrease driven by a change in approach to report multilateral development banks' exposures under STD method. This was further supplemented with £(48)m decrease due to strategic disposals including the sale of our Greece business.

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			
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,246**	5,945	6,526	8,137
2	Asset size	**(18)**	468	(372)	(957)
3	Asset quality	**26**	(2)	(37)	(12)
5	Methodology and policy	**—**	—	—	(7)
7	Foreign exchange movements	**276**	(165)	(172)	(635)
9	**RWAs at end of period**	**6,530**	6,246	5,945	6,526

RWAs under the internal model method increased by £0.3bn mainly due to unfavourable FX movements.

Table MR2-B below represents the drivers of the quarterly movements of market risk RWAs under the Internal model method approach.

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 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[1]	**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[1]	(128)	(171)	(50)	(24)	(373)	(30)
8	RWAs at 30 Jun 2023	4,894	5,107	1,850	558	12,409	993
1	RWAs at 1 Jan 2023	5,373	5,487	1,335	1,223	13,419	1,074
2	Movement in risk levels	(625)	836	512	(331)	392	31
3	Model updates/changes	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—
6	Foreign exchange movements[1]	(142)	(145)	(35)	(32)	(354)	(28)
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	232	286	156	298	972	78
3	Model updates/changes	—	—	—	—	—	—
4	Methodology and policy	—	—	(321)	—	(321)	(26)
6	Foreign exchange movements[1]	(435)	(440)	(127)	(78)	(1,080)	(86)
8	RWAs at 31 Dec 2022	5,373	5,487	1,335	1,223	13,419	1,074

1 *From 30 September 2023, Foreign exchange movements formerly presented in "Movement in risk levels" are now disclosed in line 6 as a separate category in this table. Comparatives data have been re-presented accordingly.*

RWAs under the Internal Model Approach rose by £1.4bn due to the increase in Stressed Value at Risk, resulting from higher P&L losses. This was further supplemented with increase in Incremental Risk Charge due to credit spread risk and increase due to unfavourable FX translation movements.

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.

The average HSBC Bank pl Liquidity Coverage Ratio (LCR) for the 12 months to 30 September 2023 was 148%, which is consistent with level observed on 30 June 2023. The LCR has remained above the minimum required regulatory level.

At 30 September the 12 months-end average LCR HQLA of £106.1bn was held in various assets class and currency. The decrease in average HQLA from 30 June 2023 was primarily driven by fall in average deposits.

Net stable funding ratio

HSBC Bank plc is required to apply 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 30 September 2023 HSBC Bank plc maintained a satisfactory level of long term stable funding to support its assets. The HSBC Bank plc average NSFR over the previous four quarters was amounted to 116% at 30 September 2023 and 117% at 30 June 2023.

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 for 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.

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

		Quarter ended							
UK-1a		**30 Sep 2023**		30 Jun 2023		31 Mar 2023		31 Dec 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’)		**106,095**	—	108,593	—	108,336		104,491
Cash outflows									
2	Retail deposits and small business funding	**18,618**	**2,671**	18,625	2,670	18,002	2,547	17,264	2,399
3	– *of which:* *stable deposits*	***3,684***	***184***	*3,664*	*183*	*3,645*	*182*	*3,699*	*185*
4	*less stable deposits*	***14,909***	***2,487***	*14,938*	*2,487*	*14,338*	*2,365*	*13,545*	*2,215*
5	Unsecured wholesale funding	**141,328**	**76,582**	144,618	78,886	143,498	78,697	140,772	77,428
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**49,470**	**12,323**	50,373	12,549	50,499	12,580	50,093	12,477
7	– non-operational deposits (all counterparties)	**90,403**	**62,805**	92,779	64,873	91,651	64,770	89,096	63,368
8	– unsecured debt	**1,455**	**1,455**	1,465	1,465	1,347	1,347	1,584	1,584
9	Secured wholesale funding		**8,688**		7,631		6,284		5,273
10	Additional requirements	**43,201**	**24,766**	45,411	26,372	47,500	28,048	47,397	27,747
11	– outflows related to derivative exposures and other collateral requirements	**21,369**	**18,843**	21,934	19,810	22,500	20,797	21,298	19,981
12	– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
13	– credit and liquidity facilities	**21,831**	**5,924**	23,477	6,562	25,000	7,252	26,100	7,766
14	Other contractual funding obligations	**21,672**	**10,035**	23,442	10,294	24,908	10,146	25,693	9,319
15	Other contingent funding obligations	**45,566**	**870**	51,637	796	56,774	708	57,422	666
16	**Total cash outflows**		**123,613**		126,649		126,430		122,833
Cash inflows									
17	Secured lending transactions (including reverse repos)	**100,569**	**19,880**	94,075	20,136	85,748	18,734	79,240	17,314
18	Inflows from fully performing exposures	**9,711**	**9,327**	10,493	10,128	10,759	10,368	10,284	9,913
19	Other cash inflows	**41,814**	**22,820**	42,200	23,670	41,723	24,147	39,738	22,605
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**	**152,094**	**52,027**	146,768	53,934	138,230	53,249	129,262	49,831
UK-20a	Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	**122,069**	**52,027**	122,044	53,934	118,972	53,249	114,882	49,831
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**106,095**		108,593		108,336		104,491
22	Total net cash outflows		**71,586**		72,715		73,181		73,002
23	Liquidity coverage ratio (%)		**148**		149		148		143

1 *These amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis. The LCR 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 30 September 2023* 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 (including, without limitation, as a result of the Russia-Ukraine war); the Russia-Ukraine war and its 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 inflationary pressures); 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 us as a conduit for illegal activities without the company's 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 continues to expose the company to execution risks, including in relation to the effectiveness of the HSBC Group's Ibor remediation strategy, and increases 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, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the UK and the EU; 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 we operate, 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; 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; changes in the company's ability to manage third-party, fraud 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 climate-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the climate impact from its financing activity (including as a result of data limitations and changes in methodologies), which may affect the group's ability to achieve the HSBC Group's climate ambition, targets and commitments, 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 we identify in 'Top and emerging risks' on page 15 of the *Interim Report 2023*. Additional detailed information concerning important factors, including but not limited to ESG-related factors, that could cause actual results to differ materially from those anticipated or implied in any forward-looking statement in these *Pillar 3 Disclosures at 30 September 2023* is available in the company's Annual Report and Accounts for the fiscal year ended 31 December 2022, which was filed with the SEC on Form 20-F on 22 February 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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