HSBC UK Bank plc

Pillar 3 Disclosures at 31 March 2025

HSBC

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Presentation of information

This document comprises the 31 March 2025 Pillar 3 disclosures for HSBC UK Bank plc ('the bank') and its subsidiaries (together 'HSBC UK' or 'the group'). 'We', 'us' and 'our' refer to HSBC UK Bank plc together with its subsidiaries.

'HSBC Group' or 'the Group' within this document refer to HSBC Holdings plc together with its subsidiaries.

When used in the terms 'shareholders'equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC UK Bank plc ordinary shares and capital securities issued by HSBC UK Bank plc classified as equity.

The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of pounds sterling respectively.

A full list of abbreviations is provided on page 8.

This document may contain certain forward-looking statements with respect to the financial condition,environment, social and governance ("ESG") related matters, results 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 UK 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, including ESG related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

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

Introduction

Pillar 3 disclosures and governance

Regulatory framework for disclosures

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

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by the requirements in Pillar 3 on 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 III framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. These disclosures are made in accordance with CRR II, and use the PRA's disclosure templates and instructions which came into force on 1 January 2022. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

We publish our Pillar 3 disclosures quarterly on the Group website www.hsbc.com.

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global regulatory reporting processes and making them more sustainable. This multifaceted programme includes enhancing data, consistency and controls. This remains a key priority for both HSBC management and regulatory authorities.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ('CET1') ratio, 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 2025, 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 the CRR II. Narratives are included to explain quantitative disclosures where necessary.

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

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

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

Governance

The HSBC UK Pillar 3 disclosures at 31 March 2025 comply with the PRA Rulebook.They are approved by the HSBC UK Disclosure Committee as delegated by the HSBC UK Bank plc Board and are governed by the group's disclosure policy framework as approved by the Audit Committee.

Key metrics

The table 1 below sets out the key regulatory metrics covering the group's available capital (including buffer requirements and ratios), RWAs, leverage ratio, LCR and NSFR. Effective 1 January 2025, the IFRS 9 transitional arrangements came to an end. Accordingly, our current period numbers are the same on both the transitional and end-point basis. 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 for the NSFR it is the average of the preceding four quarters.

Table 1: Key metrics (KM1/IFRS9–FL)

		At				
		31 Mar 2025	31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024
Ref	**Available capital (£m)**					
1	Common equity tier 1 ('CET1') capital	**15,211**	15,059	14,966	14,550	14,611
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**15,211**	15,048	14,956	14,538	14,599
2	Tier 1 capital	**17,423**	17,307	17,220	16,802	16,864
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**17,423**	17,296	17,210	16,790	16,852
3	Total capital	**20,598**	20,500	20,375	19,990	20,053
	Total capital as if IFRS 9 transitional arrangements had not been applied	**20,598**	20,489	20,365	19,978	20,041
	Risk-weighted assets (£m)					
4	Total RWAs	**112,221**	110,423	105,494	104,352	102,218
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**112,221**	110,414	105,484	104,340	102,206
	Capital ratios (%)					
5	CET1	**13.6**	13.6	14.2	13.9	14.3
	CET1 as if IFRS 9 transitional arrangements had not been applied	**13.6**	13.6	14.2	13.9	14.3
6	Tier 1	**15.5**	15.7	16.3	16.1	16.5
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**15.5**	15.7	16.3	16.1	16.5
7	Total capital	**18.4**	18.6	19.3	19.2	19.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	**18.4**	18.6	19.3	19.2	19.6
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a percentage of RWAs (%)					
UK–7a	Additional CET1 SREP requirements	**2.1**	2.1	2.1	2.2	2.2
UK–7b	Additional AT1 SREP requirements	**0.7**	0.7	0.7	0.7	0.7
UK–7c	Additional T2 SREP requirements	**1.0**	1.0	1.0	1.0	1.0
UK–7d	Total SREP own funds requirements	**11.8**	11.8	11.8	11.9	11.9
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer	**1.9**	1.9	1.9	1.9	1.9
UK 10a	Other systemically important institution buffer	**1.0**	1.0	1.0	1.0	1.0
11	Combined buffer requirement	**5.4**	5.4	5.4	5.4	5.4
UK–11a	Overall capital requirements	**17.2**	17.2	17.2	17.3	17.3
12	CET1 available after meeting the total SREP own funds requirements	**7.0**	7.0	7.6	7.2	7.6
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (£m)	**302,368**	297,157	298,786	283,626	275,419
14	Leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.8	5.9	6.1
	Additional leverage ratio disclosure requirements					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.8	5.9	6.1
14b	Leverage ratio including claims on central banks (%)	**4.9**	4.9	4.9	4.9	4.9
14c	Average leverage ratio excluding claims on central banks (%)	**6.0**	6.0	6.0	6.1	6.2
14d	Average leverage ratio including claims on central banks (%)	**5.0**	5.0	5.0	5.0	5.0
14e	Countercyclical leverage ratio buffer (%)	**0.7**	0.7	0.7	0.7	0.6
EU–14d	Leverage ratio buffer requirement (%)	**1.1**	1.1	1.1	1.1	1.0
EU–14e	Overall leverage ratio requirements (%)	**4.4**	4.4	4.4	4.4	4.3
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets (£m)	**93,020**	91,348	90,355	90,445	92,036
UK–16a	Cash outflows – total weighted value (£m)	**54,948**	53,657	52,601	52,424	52,860
UK–16b	Cash inflows – total weighted value (£m)	**5,721**	5,600	5,548	5,637	5,807
16	Total net cash outflow (£m)	**49,227**	48,057	47,053	46,787	47,053
17	LCR (%)	**189**	190	192	193	196
	Net stable funding ratio ('NSFR')					
18	Total available stable funding (£m)	**266,112**	264,704	263,472	262,905	262,779
19	Total required stable funding (£m)	**173,303**	171,500	170,029	169,075	168,217
20	NSFR (%)	**154**	154	155	155	156

At 31 March 2025, our CET1 capital ratio was 13.6% which remains unchanged from 31 December 2024. During the quarter, we generated £0.1bn of capital mainly through profits net of dividend offset by an increase in RWAs mainly from asset growth, and changes to asset mix and credit quality.

Our Pillar 2A requirement at 31 March 2025, in accordance with the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 3.80% of RWAs, of which 2.1% was met by CET1 capital. Throughout 1Q25, we complied with the PRA's regulatory capital adequacy requirements.

Basel 3.1 developments

The PRA published the second part of its near-final rules on the UK's implementation of Basel 3.1 on 12 September 2024. On 17 January 2025, the PRA revised the implementation date to 1 January 2027 to allow greater clarity regarding implementation in the United States. The RWA output floor is now subject to a three-year transitional provision, ensuring that the date for full implementation remains 1 January 2030.

We continue to assess the impact of these rules on our capital and associated implementation challenges including data provision.

Risk-weighted assets

Table 2 below shows total RWAs 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 RWAs on securities financing transactions.

Table 2: Overview of RWAs (OV1)

		At			
		31 Mar 2025	31 Dec 2024	**31 Mar 2025**	31 Dec 2024
		RWAs	RWAs	**Total own funds requirement**	Total own funds requirement
		£m	£m	**£m**	£m
1	**Credit risk (excluding counterparty credit risk)**	**95,430**	93,519	**7,634**	7,481
2	– standardised approach	**10,828**	11,067	**866**	885
3	– foundation internal ratings-based ('FIRB') approach	**46,538**	45,143	**3,723**	3,611
4	– slotting approach	**5,427**	5,012	**434**	401
5	– advanced IRB ('AIRB') approach	**32,637**	32,297	**2,611**	2,584
6	**Counterparty credit risk ('CCR')**	**247**	243	**20**	19
7	– standardised approach	**113**	87	**9**	7
UK–8a	– exposures to a central counterparty	**99**	93	**8**	7
UK–8b	– credit valuation adjustment	**24**	38	**2**	3
9	– other counterparty credit risk	**11**	25	**1**	2
16	**Securitisation exposures in the non-trading book**	**852**	899	**68**	72
17	– internal ratings-based approach ('SEC-IRBA')	**662**	713	**53**	57
19	– standardised approach ('SEC-SA')	**190**	186	**15**	15
20	**Position, foreign exchange and commodities risks (market risk)**	**103**	173	**8**	14
21	– standardised approach	**103**	173	**8**	14
23	**Operational risk**	**15,589**	15,589	**1,247**	1,247
UK–23b	– standardised approach	**15,589**	15,589	**1,247**	1,247
29	**Total**	**112,221**	110,423	**8,977**	8,833
24	– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[1]	**522**	574	**42**	46

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

Credit risk, including amounts below the thresholds for deduction

Excluding £0.1bn decrease due to foreign currency translation differences, Credit risk RWAs increased by £1.9bn during the quarter.

Standardised approach RWAs decreased by £0.2bn mainly due to decrease in lending to other HSBC Group entities.

Foundation IRB approach RWAs increased by £1.4bn mainly due to growth in corporate lending combined with changes in the underlying portfolio mix.

Slotting approach RWAs increased by £0.4bn due to credit migrations.

Advanced IRB RWAs increased by £0.3bn mainly due to growth in retail mortgages.

Table 3 below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the IRB approach. Securitisation positions and Non-credit obligation assets are not included in this table.

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

		Quarter ended			
		31 Mar 2025	31 Dec 2024	30 Sep 2024	30 Jun 2024
Ref		**£m**	£m	£m	£m
1	**RWAs at opening of period**	**81,489**	78,773	77,819	75,622
2	Asset size	**1,053**	1,355	1,861	1,151
3	Asset quality	**1,258**	1,347	(96)	424
4	Model updates	**—**	—	—	95
5	Methodology and policy	**(54)**	(273)	(500)	548
7	Foreign exchange movements	**(120)**	287	(311)	(21)
9	**RWAs at end of period**	**83,626**	81,489	78,773	77,819

Excluding £0.1bn decrease due to foreign currency translation differences, RWAs under the IRB approach increased by £2.2bn during the quarter.

Asset size movements increased RWAs by £1.1bn mainly due to growth in corporate lending.

Asset quality changes led to a £1.3bn increase in RWAs due to changes in the underlying portfolio mix and credit migrations.

Leverage

Table 4 below provides the information of UK leverage ratios, buffers and average leverage ratios as per the UK's leverage ratio framework.

Table 4: Leverage ratio common disclosure (UK LR2–LRCom)

		At	
		31 Mar 2025	31 Dec 2024
		£m	£m
25	**Leverage ratio excluding claims on central banks (%)**	**5.8**	5.8
UK–25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.8
UK–25c	Leverage ratio including claims on central banks (%)	**4.9**	4.9
27	Leverage ratio buffer (%)	**1.1**	1.1
UK–27a	– of which: G-SII or O-SII additional leverage ratio buffer (%)	**0.4**	0.4
UK–27b	– of which: countercyclical leverage ratio buffer (%)	**0.7**	0.7
UK–32	Average total exposure measure excluding claims on central banks	**294,267**	289,607
UK–33	Average leverage ratio including claims on central banks (%)	**5.0**	5.0
UK–34	Average leverage ratio excluding claims on central banks (%)	**6.0**	6.0

Our leverage ratio and average leverage ratio are stable at 5.8% and 6.0% respectively. During the quarter, the increase in capital and average capital mainly through profits net of dividend has been offset by the increase in leverage exposures and average leverage exposures due to an increase in financial investments and reverse repos combined with growth in corporate and retail lending.

Liquidity risk

Management of liquidity and funding risk

We aim to ensure that management has oversight of our liquidity and funding risks by maintaining comprehensive policies, metrics and controls.

Liquidity coverage ratio

The 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. For the disclosure of the LCR, we follow Article 451a of CRR II.

HSBC UK's liquid asset buffer is mainly comprised of central bank reserves and Level 1 securities. At 31 March 2025, HSBC UK's LCR was above regulatory minimum. The average LCR for the 12 months to 31 March 2025 was 189% as compared to 190% as at 31 December 2024.

Net stable funding ratio

We use the NSFR, alongside other appropriate metrics, as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. These metrics require institutions to maintain a minimum amount of stable funding based on assumptions of asset liquidity. The NSFR is defined as the ratio between the amount of available stable funding and the amount of required stable funding.

At 31 March 2025, HSBC UK's NSFR was above regulatory minimum. Average NSFR as at 31 March 2025 was 154%, as compared to 154% as at 31 December 2024.

Currency mismatch in the LCR

Our internal liquidity and funding risk management framework requires all operating entities to monitor the LCR for material currencies. This continuous monitoring helps with overall management of currency exposures, in line with our internal framework.

Sources of funding

Our primary sources of funding are customer current accounts and customer savings deposits payable on demand or at short notice. We issue secured and unsecured wholesale securities to supplement customer deposits, meet regulatory obligations and to change the currency mix, maturity profile or location of our liabilities.

▶ More details on the concentration of funding and liquidity sources may be found on page 68 of the Annual Report and Accounts 2024.

▶ For further details on our approach to manage Liquidity Risk, please refer to the Treasury Risk management section on page 12 of the Pillar 3 disclosures at 31 December 2024.

The following table presents liquidity coverage information on a HSBC UK Bank Domestic Liquidity Sub-group basis reflecting the way we manage liquidity within HSBC UK.

The HSBC UK Bank Domestic Liquidity Sub-group comprises: HSBC UK Bank plc, Marks and Spencer Financial Services plc, HSBC Private Bank (UK) Limited and HSBC Innovation Bank Limited. HSBC Trust Company (UK) Limited was included in the HSBC UK Bank Domestic Liquidity Sub-group until 28 February 2025 when the entity was sold.

The table 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 liquidity coverage ratio, high-quality liquid assets and net outflows are based on end-of-the-month observations over the preceding 12 months for each quarter.

Table 5: UK LIQ1 – Quantitative information of LCR

		Quarter ended							
UK–1a		**31 Mar 2025**		31 Dec 2024		30 Sep 2024		30 Jun 2024	
		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')		**93,020**		91,348		90,355		90,445
Cash outflows									
2	Retail deposits and small business funding	**193,374**	**15,970**	192,127	15,885	191,220	15,790	191,540	15,754
3	– of which: stable deposits	**122,290**	**6,115**	121,595	6,080	121,307	6,065	121,847	6,092
4	less stable deposits	**71,084**	**9,855**	70,532	9,806	69,913	9,725	69,693	9,662
5	Unsecured wholesale funding	**72,793**	**29,796**	71,388	28,579	70,536	27,710	71,088	27,880
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**23,890**	**5,626**	23,235	5,468	22,555	5,302	22,198	5,209
7	– non-operational deposits (all counterparties)	**48,731**	**23,999**	47,994	22,951	47,830	22,257	48,745	22,526
8	– unsecured debt	**171**	**171**	159	159	151	151	145	145
9	Secured wholesale funding		**2**		2		2		1
10	Additional requirements	**54,981**	**6,173**	52,218	5,973	44,824	5,487	37,559	5,008
11	– outflows related to derivative exposures and other collateral requirements	**864**	**862**	827	826	790	789	748	746
13	– credit and liquidity facilities	**54,118**	**5,311**	51,391	5,147	44,034	4,698	36,811	4,262
14	Other contractual funding obligations	**1,293**	**986**	1,395	1,091	1,360	1,058	986	713
15	Other contingent funding obligations	**28,083**	**2,021**	30,072	2,127	36,925	2,554	44,194	3,068
16	**Total cash outflows**		**54,948**		53,657		52,601		52,424
Cash inflows									
17	Secured lending transactions (including reverse repos)	**8,908**	**149**	7,197	127	6,093	100	4,250	107
18	Inflows from fully performing exposures	**4,094**	**3,410**	4,130	3,411	4,176	3,413	4,237	3,491
19	Other cash inflows	**9,896**	**2,162**	9,819	2,062	9,769	2,035	9,764	2,039
20	**Total cash inflows**	**22,898**	**5,721**	21,146	5,600	20,038	5,548	18,251	5,637
UK–20c	Inflows subject to 75% cap	**22,898**	**5,721**	21,146	5,600	20,038	5,548	18,251	5,637
Liquidity coverage ratio (adjusted value)									
UK–21	Liquidity buffer		**93,020**		91,348		90,355		90,445
22	Total net cash outflows		**49,227**		48,507		47,053		46,787
23	Liquidity coverage ratio (%)		**189**		190		192		193

Abbreviations

1Q25	First quarter of 2025
AT1	Additional tier 1
Basel III[1]	Basel Committee's reforms to strengthen global capital and liquidity rules
Basel 3.1	Outstanding measures to be implemented from the Basel III reforms
CCR[1]	Counterparty credit risk
CET1[1]	Common equity tier 1
CRR II[1]	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
Dec	December
ECL[1]	Expected credit losses
ESG	Environmental, Social and Governance
EU	European Union
FIRB[1]	Foundation internal-ratings based approach
HQLA	High–quality liquid assets
IFRS	International Financial Reporting Standards
IRB[1]	Internal ratings-based approach
Jun	June
LCR[1]	Liquidity coverage ratio
Mar	March
NSFR[1]	Net stable funding ratio
PRA[1]	Prudential Regulation Authority (UK)
RWA[1]	Risk–weighted asset
SEC-IRBA	Securitisation internal rating-based approach
SEC-SA	Securitisation standardised approach
Sep	September
SREP	Supervisory review and evaluation process
UK	United Kingdom

1 Full definition included in the Glossary published on HSBC website www.hsbc.com/investors/results-and-announcements.

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