HSBC Bank plc

Pillar 3 Disclosures at 30 September 2024
Registered number - 00014259

HSBC

Contents

Tables

Certain defined terms

This document comprises the 30 September 2024 Pillar 3 disclosures for HSBC Bank plc.

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

When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Bank ordinary shares and those preference shares and capital securities issued by HSBC Bank classified as equity. The abbreviations '£m' and '£bn' represent millions and billions (thousands of millions) of GB pounds, respectively.

Introduction

Pillar 3 disclosures and governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 30 September 2024 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the Prudential Regulation Authority ('PRA') Rulebook Disclosure (Capital Requirements Regulation). They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

We are supervised on an individual basis in the United Kingdom ('UK') by the PRA, which receives information on the capital and liquidity adequacy of, and sets capital and liquidity requirements for, the bank. Individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their local capital and liquidity adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital and liquidity requirements of local regulatory authorities.

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

We calculate the bank's 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 directives, 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'.

Regulatory reporting processes and controls

We are advancing a comprehensive initiative aimed at strengthening our global processes, enhancing consistency, and improving controls across our regulatory reporting. This remains a top priority for both HSBC management and regulatory authorities. This multifaceted programme includes data enhancement, transformation of the reporting systems, and an uplift to the control environment over the report production process.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ('CET1') 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 2024, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by article 92(1) of CRR II. Narratives are included to explain quantitative disclosures where necessary.

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

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

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 other documents.

The table below references where new disclosures have been added.

Page ref	Table Reference	Activity
7	Leverage ratio common disclosure (UK LR2-LRCom)	PRA guidance dated 5 August 2024.

Frequency and location

We publish our Pillar 3 disclosures quarterly on our website www.hsbc.com/investors.

Material risks

Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

Governance

The Board continues to oversee the governance, smooth operation and oversight of HSBC Bank plc.

HSBC Bank plc Pillar 3 Disclosures at 30 September 2024 are approved by HSBC Bank plc Chief Financial Officer on behalf of the Board.

Key metrics

KM1 table below sets out the key regulatory metrics covering the HSBC Bank plc's available capital (including buffer requirements and ratios), RWAs, leverage ratio, LCR and NSFR. Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis. Capital figures and ratios are reported on a CRR II transitional basis for capital instruments, and the leverage ratio is calculated using the CRR II end point basis for capital. The calculation for LCR is the average of the preceding 12 months for each quarter and NSFR is the average of the preceding four quarters. LCR and NSFR amounts relate to HSBC Bank plc as a single entity and are not produced on a consolidated basis.

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

		At				
Ref*		**30 Sep 2024**	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
	Available capital (£m)					
1	Common equity tier 1 (‘CET1’) capital^	**20,485**	20,326	20,124	19,230	20,390
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**20,485**	20,326	20,124	19,230	20,390
2	Tier 1 capital^	**24,427**	24,268	24,066	23,124	24,281
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**24,427**	24,268	24,066	23,124	24,281
3	Total capital^	**39,022**	39,294	38,634	37,131	37,112
	Total capital as if IFRS 9 transitional arrangements had not been applied	**39,022**	39,294	38,634	37,131	37,112
	Risk-weighted assets (‘RWAs’) (£m)[1]					
4	Total RWAs^	**110,037**	113,191	113,430	107,449	109,000
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**110,037**	113,191	113,430	107,449	109,000
	Capital ratios (%)[1]					
5	CET1^	**18.6**	18.0	17.7	17.9	18.7
	CET1 as if IFRS 9 transitional arrangements had not been applied	**18.6**	18.0	17.7	17.9	18.7
6	Tier 1^	**22.2**	21.4	21.2	21.5	22.3
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**22.2**	21.4	21.2	21.5	22.3
7	Total capital^	**35.5**	34.7	34.1	34.6	34.0
	Total capital as if IFRS 9 transitional arrangements had not been applied	**35.5**	34.7	34.1	34.6	34.0
	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’)	**1.0**	1.0	0.9	0.9	0.9
11	Combined buffer requirement	**3.5**	3.5	3.4	3.4	3.4
UK-11a	Overall capital requirements	**11.5**	11.5	11.4	11.4	11.4
12	CET1 available after meeting the total SREP own funds requirements	**14.1**	13.5	13.2	13.4	14.2
	Leverage ratio^					
13	Total exposure measure excluding claims on central banks (£m)	**470,629**	471,459	481,973	455,852	447,967
14	Leverage ratio excluding claims on central banks (%)	**5.2**	5.1	5.0	5.1	5.4
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)^					
14a	Fully loaded expected credit losses (‘ECL’) accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.1	5.0	5.1	5.4
14b	Leverage ratio including claims on central banks (%)	**4.2**	4.1	4.1	4.0	4.2
14c	Average leverage ratio excluding claims on central banks (%)	**5.1**	5.1	5.1	5.3	5.6
14d	Average leverage ratio including claims on central banks (%)	**4.1**	4.1	4.0	4.1	4.3
14e	Countercyclical leverage ratio buffer (%)	**0.4**	0.3	0.3	0.3	0.3
EU 14d	Leverage ratio buffer requirement (%)	**0.4**	0.3	0.3	0.3	0.3
EU 14e	Overall leverage ratio requirements (%)	**3.7**	3.6	3.6	3.6	3.6
	Liquidity coverage ratio (‘LCR’)					
15	Total high-quality liquid assets (£m)	**105,182**	104,346	104,159	105,524	106,095
UK-16a	Cash outflows – total weighted value (£m)	**114,380**	116,302	118,501	120,627	123,613
UK-16b	Cash inflows – total weighted value (£m)	**42,641**	44,601	47,370	49,517	52,027
16	Total net cash outflow (£m)	**71,740**	71,701	71,131	71,110	71,586
17	LCR ratio (%)	**147**	146	146	148	148
	Net stable funding ratio (‘NSFR’)					
18	Total available stable funding (£m)	**125,508**	122,723	118,287	116,303	114,368
19	Total required stable funding (£m)	**111,065**	108,120	104,619	100,094	98,662
20	NSFR ratio (%)	**113**	114	113	116	116

* The references in this and subsequent tables identify lines prescribed in the relevant PRA template where applicable and where there is a value.
^ For 30 September 2024, the add-back to CET1 capital and the related tax have not been applied as they were immaterial.
1 From November 2023, we reverted to the on-shored UK version of closely correlated currency list (CIR(EU) 2019/2091) from the previously applied EBA list (CIR(EU) 2021/249). Comparative data have been represented.

At 30 September 2024, our CET1 capital ratio increased to 18.6% from 18.0% at 30 June 2024, as a result of a decrease in RWAs by £3.2bn, compounded by a £0.2bn increase in CET1 capital. The key drivers of this 0.6 percentage point increase in our CET1 ratio were:

- a 0.5 percentage point increase from lower RWAs mainly due to foreign currency translation differences, balance sheet exposure reductions primarily in lending, other risk parameter refinements and model updates;
- a 0.3 percentage point increase from capital generation, mainly through profits accrual offset by foreseeable dividend; and
- a (0.2) percentage point impact from foreign exchange movement on capital and other movements.

Throughout Q3 2024, we complied with the PRA's regulatory capital adequacy requirements, including those relating to stress testing.

Risk-weighted assets

Table OV1 below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type. Equities under the simple risk-weighted approach include off-balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per the PRA Rulebook Article 132(c) and 'Other counterparty credit risk' includes securities financing transactions RWAs.

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

		At		
		30 Sep 2024	30 Jun 2024	**30 Sep 2024**
		RWAs	RWAs	**Total own funds requirement**
		£m	£m	**£m**
1	**Credit risk (excluding counterparty credit risk)**	**59,272**	60,858	**4,742**
2	– standardised approach ('STD')	**20,253**	19,622	**1,620**
3	– foundation internal ratings-based ('FIRB') approach	**15,185**	15,359	**1,215**
4	– slotting approach	**609**	599	**49**
UK-4a	– equities under the simple risk weighted approach	**3,106**	3,216	**248**
5	– advanced IRB ('AIRB') approach	**20,119**	22,062	**1,610**
6	**Counterparty credit risk ('CCR')**	**17,814**	17,837	**1,426**
7	– standardised approach	**3,961**	4,474	**317**
8	– internal model method ('IMM')	**6,422**	6,676	**514**
UK-8a	– exposures to a central counterparty	**352**	348	**28**
UK-8b	– credit valuation adjustment ('CVA')	**922**	1,058	**74**
9	– other counterparty credit risk	**6,157**	5,281	**493**
15	**Settlement risk**	**17**	42	**1**
16	**Securitisation exposures in the non-trading book (after the cap)**	**3,225**	3,346	**258**
17	– internal ratings-based approach ('SEC-IRBA')	**779**	827	**62**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**1,398**	1,431	**112**
19	– standardised approach ('SEC-SA')	**935**	975	**75**
UK-19a	– 1250% deduction	**113**	113	**9**
20	**Position, foreign exchange and commodities risks (Market risk)**	**16,634**	17,894	**1,330**
21	– standardised approach	**3,854**	3,907	**308**
22	– internal models approach ('IMA')	**12,780**	13,987	**1,022**
23	**Operational risk**	**13,075**	13,214	**1,046**
UK-23b	– standardised approach	**13,075**	13,214	**1,046**
29	**Total**	**110,037**	113,191	**8,803**
24	– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[1]	**4,028**	4,093	**322**

1 These balances are included in rows 2 and 5 of the table and include thresholds for the recognition of significant investments and deferred tax assets.

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

Credit risk, (including amounts below the thresholds for deduction)

Credit risk RWAs fell by £(1.6)bn mainly due to foreign currency translation differences and a decrease in balance sheet exposures. This is further supplemented by the decrease due to changes in the financial institutions model, offset by an increase in Parental Support Framework.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs remained largely unchanged, due to an £1.2bn increase in securities financing exposures and derivatives portfolio, offset by foreign currency translation differences of £(1.0)bn and a £(0.2)bn decrease due to changes in the financial institutions models.

Market risk

Market Risk RWAs fell by £(1.3)bn, mainly due to foreign currency translation differences and a decrease in stressed value at risk. This was partially offset by higher structural foreign exchange exposures and incremental risk charge, resulting from increased positions.

Operational risk

Operational Risk RWAs fell by £(0.1)bn, mainly due to foreign exchange translation differences.

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

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

		Quarter ended			
		30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**39,867**	39,604	40,283	41,529
2	Asset size	**(943)**	(195)	2,383	(718)
3	Asset quality	**319**	(99)	178	(557)
4	Model updates	**(172)**	350	—	—
5	Methodology and policy	**(194)**	360	(569)	(112)
6	Acquisitions and disposals	**—**	—	(2,320)	487
7	Foreign exchange movements[1]	**(844)**	(153)	(351)	(346)
9	**RWAs at the closing period**	**38,033**	39,867	39,604	40,283

1 Foreign exchange movements in this disclosure are computed by retranslating the RWAs into sterling pounds based on the underlying transactional currencies and other movements in the table are presented on a constant currency basis.

The RWAs fall of £(1.8)bn under IRB approach is mainly driven by £(0.9)bn balance sheet reduction in term lending and other financial assets, and a £(0.8)bn decrease due to foreign currency translation differences. This is further supplemented by the £(0.4)bn decrease due to methodology and policy changes, credit risk parameter refinements, and changes in the financial institutions models. This is partially offset by a £0.3bn increase due to portfolio mix changes.

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

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

		Quarter ended			
		30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
Ref		**£m**	£m	£m	£m
1	**RWAs at opening period**	**6,676**	6,322	6,231	6,530
2	Asset size	**276**	(112)	75	12
3	Credit quality of counterparties	**(162)**	465	(41)	(21)
7	Foreign exchange movements	**(368)**	1	57	(290)
9	**RWAs at end of period**	**6,422**	6,676	6,322	6,231

RWAs under the internal model method decreased by £(0.3)bn, mainly due to foreign currency translation differences and changes in the financial institutions model, partially offset by a rise in asset size driven by new trades and an increase in Mark to Market.

Table MR2-B below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by value at risk ('VaR'), stressed value at risk ('SVaR'), incremental risk charge ('IRC') and other models.

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

Ref		VaR £m	Stressed VaR £m	Incremental risk charge ('IRC') £m	Other £m	Total RWAs £m	Total own fund requirements £m
1	**RWAs at 1 Jul 2024**	**3,799**	**7,247**	**2,198**	**743**	**13,987**	**1,119**
2	Movement in risk levels	**(196)**	**(486)**	**281**	**(2)**	**(403)**	**(32)**
3	Model updates/changes	**(6)**	**(28)**	**—**	**—**	**(34)**	**(3)**
6	Foreign exchange movements	**(209)**	**(399)**	**(121)**	**(41)**	**(770)**	**(62)**
8	**RWAs at 30 Sep 2024**	**3,388**	**6,333**	**2,359**	**701**	**12,780**	**1,022**
1	RWAs at 1 Apr 2024	4,029	7,432	1,450	733	13,644	1,092
2	Movement in risk levels	(230)	(186)	748	10	342	27
3	Model updates/changes	—	—	—	—	—	—
6	Foreign exchange movements	—	1	—	—	1	—
8	RWAs at 30 Jun 2024	3,799	7,247	2,198	743	13,987	1,119
1	RWAs at 1 Jan 2024	3,909	6,410	1,765	732	12,816	1,025
2	Movement in risk levels	84	963	(331)	(6)	710	57
3	Model updates/changes	—	—	—	—	—	—
6	Foreign exchange movements	36	59	16	7	118	9
8	RWAs at 31 Mar 2024	4,029	7,432	1,450	733	13,644	1,092
1	RWAs at 1 Oct 2023	5,093	5,973	2,215	479	13,760	1,101
2	Movement in risk levels	(958)	702	(139)	205	(190)	(15)
3	Model updates/changes	—	—	(213)	69	(144)	(12)
6	Foreign exchange movements	(226)	(265)	(98)	(21)	(610)	(49)
8	RWAs at 31 Dec 2023	3,909	6,410	1,765	732	12,816	1,025

RWAs under the internal model approach decreased by £(1.2)bn, mainly due to foreign currency translation differences and decrease in VaR and SVaR averages. This was partially offset by higher IRC, resulting from increased positions. The decrease in VaR and SVaR was mainly driven by portfolio changes to EUR exposure, whilst the SVaR reduction was also driven by the change in the stressed period towards the end of the quarterly reporting period.

The table below shows the drivers of the quarterly movements of market risk RWAs under the internal model approach, split by VaR, SVaR, IRC and other models. Rows 1a/1b and 8a/8b represent differences between RWAs reported for the period and RWAs calculated on a spot basis at the end of the reporting period, except RWAs in 'Other', which includes components that are calculated on an average basis.

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

Ref		VaR £m	Stressed VaR £m	Incremental risk charge ('IRC') £m	Other £m	Total RWAs £m	Total own fund requirements £m
1	**RWAs at 1 Jul 2024**	**3,799**	**7,247**	**2,198**	**743**	**13,987**	**1,119**
1a	Regulatory adjustment	**(2,815)**	**(5,880)**	**—**	**—**	**(8,695)**	**(696)**
1b	RWAs at the previous quarter-end (end of day)	**985**	**1,366**	**2,198**	**743**	**5,292**	**423**
2	Movement in risk levels	**(18)**	**(322)**	**(33)**	**(2)**	**(374)**	**(30)**
3	Model updates/changes	**(6)**	**(28)**			**(34)**	**(3)**
6	Foreign exchange movements	**(54)**	**(75)**	**(121)**	**(41)**	**(292)**	**(23)**
8a	**RWAs at the end of the disclosure period (end of day)**	**907**	**941**	**2,044**	**701**	**4,593**	**367**
8b	Regulatory adjustment	**2,482**	**5,392**	**314**	**—**	**8,188**	**655**
8	**RWAs at 30 Sep 2024**	**3,388**	**6,333**	**2,359**	**701**	**12,780**	**1,022**
1	RWAs at 1 April 2024	4,029	7,432	1,450	733	13,644	1,092
1a	Regulatory adjustment	(3,011)	(6,110)	(35)	—	(9,156)	(732)
1b	RWAs at the previous quarter-end (end of day)	1,018	1,322	1,416	733	4,489	359
2	Movement in risk levels	(33)	44	782	10	804	64
3	Model updates/changes	—	—	—	—	—	—
6	Foreign exchange movements	—	—	—	—	—	—
8a	RWAs at the end of the disclosure period (end of day)	985	1,366	2,198	743	5,292	423
8b	Regulatory adjustment	2,815	5,880	—	—	8,695	696
8	RWAs at 30 Jun 2024	3,799	7,247	2,198	743	13,987	1,119

Leverage ratio

The table below provides the information of UK leverage ratios, buffers and average leverage ratios as per the UK's leverage ratio framework. With effect from 5 August 2024, LREQ firms are required to disclose the below table quarterly based on the PRA guidance.

Table 6: Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		30 Sep 2024	30 Jun 2024
25	**Leverage ratio excluding claims on central banks (%)**	**5.2**	5.1
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2**	5.1
UK-25c	Leverage ratio including claims on central banks (%)	**4.2**	4.1
27	**Leverage ratio buffer**	**0.4**	0.3
UK-27b	Of which: countercyclical leverage ratio buffer (%)	**0.4**	0.3
UK-32	Average total exposure measure excluding claims on central banks (£m)	**478,358**	475,962
UK-33	Average leverage ratio including claims on central banks (%)	**4.1**	4.1
UK-34	Average leverage ratio excluding claims on central banks (%)	**5.1**	5.1

Our leverage ratio was 5.2% at 30 September 2024, up from 5.1% at 30 June 2024. This is primarily due to an increase in Tier 1 capital, compounded by a decrease in Leverage exposure mainly driven by decline in both the On-balance sheet and the Off-balance sheet exposures.

At 30 September 2024, our UK minimum leverage ratio requirement of 3.25% was supplemented by a countercyclical leverage ratio buffer of 0.40%. The leverage ratio is expressed in terms of Tier1 Capital but these buffers translated to CET1 capital values of £1.9bn. We exceeded these leverage requirements throughout the first three quarters of 2024.

At 30 September 2024, our average leverage ratio excluding central bank claims was 5.1%, broadly unchanged from 5.1% at 30 June 2024.

Liquidity

Management of liquidity and funding risk

We manage liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standards.

Liquidity coverage ratio

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

Our average LCR for 12 months to 30 September 2024 increased to 147% from 146% to 30 June 2024, and remained above regulatory minimum levels and HSBC Bank plc's Risk Appetite.

Currency mismatch in the LCR

The Group's internal liquidity and funding risk management framework requires all operating entities to monitor the LCR for material currencies. Limits are set to ensure that outflows can be met, given assumptions on the stressed capacity in the foreign exchange swap markets. This continuous monitoring helps with the overall management of currency exposures, in line with our internal framework.

Net stable funding ratio

We use a regulatory Net stable funding ratio ('NSFR') as a basis for establishing stable funding needs. The NSFR requires HSBC Bank plc to maintain sufficient stable funding and reflects its long-term funding profile (funding with a term of more than one year) commensurate with the risk profile of the balance sheet.

Our average NSFR over the previous four quarters to 30 September 2024 decreased to 113% from 114% at 30 June 2024. We maintained sufficient stable funding relative to the required stable funding assessed using NSFR.

Source of funding

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

More details on the concentration of funding and liquidity sources may be found on page 74 of the Annual Report of Accounts 2023.

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

Table 7: Level and components of HSBC Bank plc liquidity coverage ratio (LIQ1)

		Quarter ended							
UK-1a		**30 Sep 2024**		30 Jun 2024		31 Mar 2024		31 Dec 2023	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		£m	**£m**	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages		**12**		12		12		12
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')		**105,182**		104,346		104,159		105,524
Cash outflows									
2	Retail deposits and small business funding	**17,832**	**2,849**	17,764	2,732	18,081	2,692	18,419	2,661
3	– of which: stable deposits	**2,328**	**116**	2,756	138	3,173	159	3,576	179
4	less stable deposits	**15,503**	**2,733**	15,008	2,594	14,907	2,534	14,843	2,482
5	Unsecured wholesale funding	**139,696**	**76,270**	138,595	75,658	139,568	75,614	140,282	75,905
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**48,728**	**12,134**	48,952	12,191	49,498	12,328	49,727	12,387
7	– non-operational deposits (all counterparties)	**88,466**	**61,633**	87,618	61,442	88,328	61,544	88,807	61,770
8	– unsecured debt	**2,502**	**2,502**	2,025	2,025	1,742	1,742	1,748	1,748
9	Secured wholesale funding		**6,664**		7,631		8,825		9,216
10	Additional requirements	**38,882**	**18,472**	39,759	20,399	39,670	21,189	40,812	22,687
11	– outflows related to derivative exposures and other collateral requirements	**17,164**	**12,858**	18,626	14,862	18,836	15,655	19,893	17,078
13	– credit and liquidity facilities	**21,718**	**5,614**	21,133	5,537	20,834	5,534	20,919	5,609
14	Other contractual funding obligations	**20,281**	**8,980**	20,547	8,751	20,799	9,062	20,656	9,144
15	Other contingent funding obligations	**34,355**	**1,144**	34,689	1,131	35,176	1,117	39,468	1,014
16	**Total cash outflows**		**114,380**		116,302		118,501		120,627
Cash inflows									
17	Secured lending transactions (including reverse repos)	**113,547**	**17,399**	109,697	17,974	109,498	19,536	105,807	20,406
18	Inflows from fully performing exposures	**8,937**	**8,612**	8,768	8,411	8,849	8,474	8,788	8,418
19	Other cash inflows	**35,809**	**16,629**	37,304	18,216	38,934	19,360	40,259	20,693
20	**Total cash inflows**	**158,293**	**42,641**	155,769	44,601	157,280	47,370	154,854	49,517
UK-20c	Inflows subject to 75% cap[1]	**158,293**	**42,641**	155,769	44,601	157,280	47,370	154,854	49,517
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**105,182**		104,346		104,159		105,524
22	Total net cash outflows		**71,740**		71,701		71,131		71,110
23	Liquidity coverage ratio (%)		**147**		146		146		148

1 We have updated the row UK-20c Inflows subject to 75% cap to include collateral swaps inflow. The comparatives have been realigned accordingly.

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures at 30 September 2024 contain certain forward-looking statements with respect to the company's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and the company's ability to contribute to the HSBC Group's environmental, social and governance ('ESG') targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the company's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. The company makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements. Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the company's Directors, officers or employees to third parties, including financial analysts. Forward-looking statements involve inherent risks and uncertainties.

Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which the company operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war, the Israel-Hamas war and the broader conflict in the Middle East and their impact on global economies and the markets where the company operates, which could have a material adverse effect on (among other things) the company's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the company's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, the Israel-Hamas war and the broader conflict in the Middle East, inflationary pressures and commodity price changes); changes and volatility in foreign exchange rates and interest rates levels; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect the company's ability to meet its obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments, both in Europe and in other regions such as Asia, producing social instability or legal uncertainty, such as the Russia-Ukraine war, the Israel-Hamas war and the broader conflict in the Middle East (including the continuation and escalation thereof) and the related imposition of sanctions and trade restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations and diplomatic tensions between China and the US, extending to the UK and the EU, alongside other potential areas of tension, which may adversely affect the group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the company's and the HSBC Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the company both directly and indirectly through its customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the company as a conduit for illegal activities without the company's knowledge; the discontinuation of certain key Ibors and the transition of the remaining legacy Ibor contracts to near risk free benchmark rates, which continues to expose the company to some financial and non-financial risks; and price competition in the market segments that the company serves;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the company operates and the consequences thereof (including, without limitation, recent policies announced by Chinese regulators and actions taken as a result of changes in government following national elections in the jurisdictions where the group operates); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the company, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, which continues to be characterised by uncertainty and political disagreement, despite the signing of the Trade and Cooperation Agreement between the UK and the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the jurisdictions where the group operates) that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the company operates, including increased competition from non-bank financial services companies; and
- factors specific to the company and the HSBC Group, including the company's success in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the company's ability to achieve its financial, investment, capital targets and the HSBC Group's ESG targets, commitments and ambitions, which may result in the company's failure to achieve any of the expected benefits of its strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how

the company manages model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and rising interest rates have had on the performance and usage of financial models, which may require the company to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the company bases its financial statements on; changes in the company's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the company or any of its subsidiaries, which could increase the cost or decrease the availability of the company's funding and affect its liquidity position and net interest margin; changes to the reliability and security of the company's data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact its ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the company's dependence on loan payments and dividends from subsidiaries to meet its obligations; changes in the HSBC Group's reporting framework and accounting standards, which have had and may continue to have a material impact on the way the company prepares its financial statements; the company's ability to successfully execute planned strategic acquisitions and disposals; the company's success in adequately integrating acquired businesses into its business; changes in the company's ability to manage third-party, fraud, financial crime and reputational risks inherent in its operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the company's ability to recruit and retain senior management and diverse and skilled personnel; and changes in the company's ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and the company's capacity to measure the environmental and social impacts from its financing activity (including as a result of data limitations and changes in methodologies), which may affect HSBC Group's ability to achieve its ESG targets, commitments and ambitions, and increase the risk of greenwashing. Effective risk management depends on, among other things, the company's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; the company's success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties that the company identifies in 'Risk – Risk Overview', 'Risk – Managing Risk' and 'Risk – Top and Emerging Risks' on pages 13 to 15 of the HSBC Bank plc Interim Report 2024.

Abbreviations

£	British pound
AIRB[1]	Advanced internal ratings-based approach
Apr	April
Basel	Basel Committee on Banking Supervision
CCR[1]	Counterparty credit risk
CCyB	Countercyclical capital buffer
CET1[1]	Common equity tier 1
CRR II	The regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876)
Dec	December
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
EU	European Union
FIRB[1]	Foundation internal-ratings based approach
Group	HSBC Holdings together with its subsidiary undertakings
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
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
Jan	January
Jul	July
Jun	June
LCR[1]	Liquidity coverage ratio
LREQ firm	LREQ firm means a firm or CRR consolidation entity to which the minimum requirements of the Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook applies
Mar	March
NSFR[1]	Net stable funding ratio
Oct	October
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
Sep	September
SREP	Supervisory review and evaluation process
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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