

HSBC Holdings plc

Pillar 3 Disclosures at 31 March 2024

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Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '\$m', '\$bn' and '\$tn' represent millions, billions (thousands of millions) and trillions (millions of millions) of US dollars respectively.

This document should be read in conjunction with the Earnings Release 1Q24, which has been published on our website at www.hsbc.com/investors.

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Introduction

Pillar 3 disclosures and governance

Regulatory framework for disclosure

Our Pillar 3 Disclosures at 31 March 2024 comprise both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with Part Eight of CRR II and the Prudential Regulation Authority ('PRA') disclosure templates and instructions. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

We are supervised on a consolidated 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 Group as a whole. 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.

At the consolidated Group level, capital is calculated 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 regulations 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'.

The regulators of the Group's banking entities outside the UK are at varying stages of implementation of Basel's framework, so local regulation may have been on the basis of Basel I, II, III or Basel 3.1.

While the frameworks may vary for some of our banking subsidiaries they do not impact Group disclosures. However, the changes to the local regulatory frameworks may impact distributions from our subsidiaries.

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

Comparatives and references

To give insight into movements during 2024, we provide comparative figures, commentary on variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by Article 92(1) of CRR II. Narratives are included to explain quantitative disclosures where necessary.

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

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

The table below references where comparatives have been restated.

Page ref	Table Reference	Activity
4	Key metrics (KM1/IFRS9-FL)	Updated NSFR based on enhanced calculation.

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 1Q24 Earnings Release of HSBC Holdings plc or to other documents.

Governance

Our Pillar 3 disclosures are governed by the Group's disclosure policy framework as approved by the Group Audit Committee. This document has been approved by the Group Disclosure and Controls Committee, chaired by the Group Chief Financial Officer, as delegated by the Group Audit Committee.

Regulatory reporting processes and controls

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

The ongoing programme of work focuses on our material regulatory reports and is being phased over a number of years. This programme includes data enhancement, transformation of the reporting systems and an uplift to the control environment over the report production process.

While this programme continues, there may be further impacts on some of our regulatory ratios, such as the common equity tier 1 ('CET1'), liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), as we implement recommended changes and continue to enhance our controls across the process.

Highlights

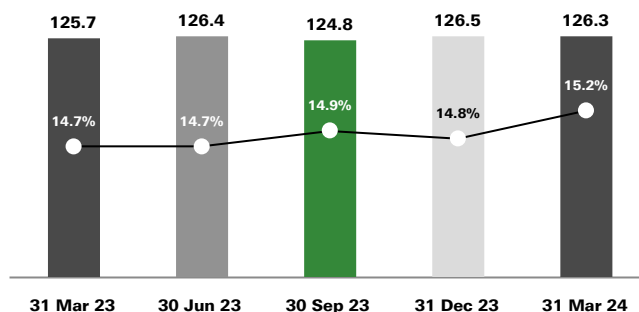
CET1 capital and ratio

Our CET1 capital was \$126.3bn and our ratio was 15.2%, up 0.4 percentage points compared with 31 December 2023. This was driven by capital generation, the net beneficial impact of strategic transactions on CET1 and RWAs, partly offset by the foreseeable dividend accrual, including the special dividend of \$0.21 per share following the completion of the sale of our banking business in Canada, and the share buy-back announced at our 2023 year-end results.

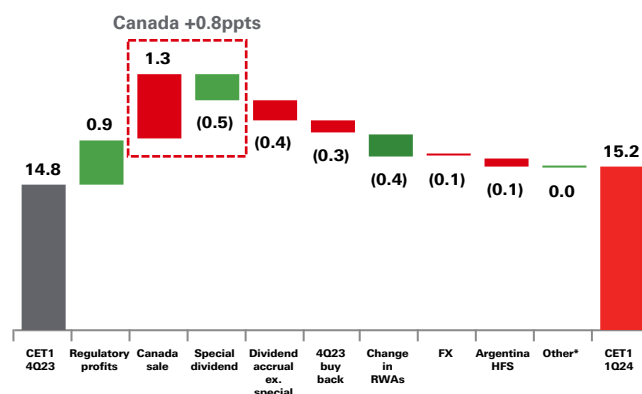
We have announced our first interim dividend of \$0.10 per share. In addition, following the completion of the sale of our banking business in Canada, the Board has approved a special dividend of \$0.21 per share, payable in June 2024, alongside the first interim dividend. After completing the \$2bn buy-back announced at our full year 2023 results, we have now announced with our 1Q24 results a further share buy-back of up to \$3bn, which we expect to have a 0.4 percentage point impact on 2Q24 CET1 capital ratio. The planned buy-back commenced shortly after the annual general meeting ('AGM') held in May 2024.

We intend to manage the CET1 capital ratio within our medium-term target range of 14% to 14.5%, with a dividend payout ratio target of 50% for 2024, excluding material notable items and related impacts.

CET1 capital and ratio



CET1 ratio movement



* Includes the impact of sale of our retail banking operations in France and regulatory deductions

RWAs

Our RWAs are \$832.6bn, a decrease of \$21.5bn compared with 31 December 2023. Excluding the \$8.9bn fall in foreign currency translation differences, the remaining \$12.6bn decrease was predominantly attributed to the impact of our disposals in France and Canada, which was partly offset by asset size and asset quality movements.

RWAs

Risk-weighted assets	31 Mar 2024 \$bn	31 Dec 2023 \$bn
Credit risk	663.6	683.9
Counterparty credit risk	36.7	35.5
Market risk	36.6	37.5
Operational risk	95.7	97.2
Total RWAs	832.6	854.1

Liquidity

The average Group LCR was 136% or \$172bn above the regulatory requirement and the average high-quality liquid assets ('HQLA') was \$645.8bn.

The average Group NSFR was 137% after the adjustment (see page 12). At 31 March 2024, all of the Group's material operating entities were above regulatory minimum levels.

Liquidity

	31 Mar 2024	31 Dec 2023
LCR (%)	136	136
NSFR (%)*	137	138

* We have enhanced our calculation processes during the period, which resulted in a 2% increase on the current period NSFR. Prior quarter has been restated (31 Dec 23: 5% increase).

Key metrics

The table below sets out the key regulatory metrics covering the Group'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.

Key metrics (KM1/IFRS9-FL)

Ref		At				
		31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
	Available capital (\$bn)					
1	Common equity tier 1 ('CET1') capital	126.3	126.5	124.8	126.4	125.7
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	126.3	126.4	124.8	126.4	125.7
2	Tier 1 capital	144.1	144.2	142.5	145.8	145.1
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	144.1	144.1	142.5	145.8	145.1
3	Total capital	172.5	171.2	165.5	170.0	169.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	172.5	171.1	165.5	170.0	169.6
	Risk-weighted assets ('RWAs') (\$bn)					
4	Total RWAs	832.6	854.1	840.0	859.5	854.4
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	832.6	854.0	840.0	859.5	854.4
	Capital ratios (%)					
5	CET1	15.2	14.8	14.9	14.7	14.7
	CET1 as if IFRS 9 transitional arrangements had not been applied	15.2	14.8	14.9	14.7	14.7
6	Tier 1	17.3	16.9	17.0	17.0	17.0
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	17.3	16.9	17.0	17.0	17.0
7	Total capital	20.7	20.0	19.7	19.8	19.8
	Total capital as if IFRS 9 transitional arrangements had not been applied	20.7	20.0	19.7	19.8	19.8
	Additional own funds requirements based on supervisory review and evaluation process ('SREP') as a percentage of RWAs (%)					
UK-7a	Additional CET1 SREP requirements	1.5	1.5	1.5	1.5	1.5
UK-7b	Additional AT1 SREP requirements	0.5	0.5	0.5	0.5	0.5
UK-7c	Additional T2 SREP requirements	0.6	0.6	0.6	0.6	0.6
UK-7d	Total SREP own funds requirements	10.6	10.6	10.6	10.6	10.6
	Combined buffer requirement as a percentage of RWAs (%)					
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Institution-specific countercyclical capital buffer	0.7	0.7	0.7	0.5	0.4
10	Global systemically important institution buffer	2.0	2.0	2.0	2.0	2.0
11	Combined buffer requirement	5.2	5.2	5.2	5.0	4.9
UK-11a	Overall capital requirements	15.8	15.8	15.8	15.6	15.5
12	CET1 available after meeting the total SREP own funds requirements	9.2	8.8	8.9	8.7	8.7
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (\$bn)	2,528.0	2,574.8	2,478.3	2,497.9	2,486.1
14	Leverage ratio excluding claims on central banks (%)	5.7	5.6	5.7	5.8	5.8
	Average exposure measure excluding claims on central banks (\$bn)	2,563.8	2,498.6	2,491.1	2,506.5	2,454.8
	Additional leverage ratio disclosure requirements					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	5.7	5.6	5.7	5.8	5.8
14b	Leverage ratio including claims on central banks (%)	5.0	4.8	4.9	5.0	5.0
14c	Average leverage ratio excluding claims on central banks (%)	5.6	5.7	5.8	5.8	5.7
14d	Average leverage ratio including claims on central banks (%)	4.9	4.9	5.0	5.0	4.9
14e	Countercyclical leverage ratio buffer (%)	0.3	0.2	0.2	0.2	0.2
EU-14d	Leverage ratio buffer requirement (%)	1.0	0.9	0.9	0.9	0.9
EU-14e	Overall leverage ratio requirements (%)	4.3	4.2	4.2	4.2	4.2
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets (\$bn)	645.8	647.5	641.1	631.2	634.9
UK-16a	Cash outflows – total weighted value (\$bn)	666.6	672.3	673.8	672.2	670.4
UK-16b	Cash inflows – total weighted value (\$bn)	192.8	195.2	197.0	194.5	188.7
16	Total net cash outflow (\$bn)	473.8	477.1	476.8	477.7	481.7
17	LCR (%)	136	136	134	132	132
	Net stable funding ratio ('NSFR')					
18	Total available stable funding (\$bn)	1,571.9	1,601.9	1,599.2	1,575.2	1,557.4
19	Total required stable funding (\$bn) ¹	1,151.1	1,162.3	1,157.0	1,132.9	1,110.1
20	NSFR (%) ¹	137	138	138	139	140

¹ We have enhanced our calculation processes during the period, which resulted in a 2% increase on the current period NSFR. Comparatives have been restated.

Capital and leverage

Approach and policy

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory capital requirements at all times.

As at 31 March 2024, capital securities included in the capital base of HSBC have been issued on a fully compliant or grandfathered basis in accordance with the Capital Requirements Regulation. Capital securities are regularly reviewed for compliance with guidelines. A list of the main features of our capital instruments and eligible liabilities, in accordance with Article 437 of CRR II is also published on our website at www.hsbc.com with reference to our balance sheet on 31 December 2023. The full terms and conditions of our securities are also available at www.hsbc.com.

HSBC has no foreseen restrictions envisaged with regard to planned dividend or payments from material subsidiaries. However, the ability of subsidiaries to pay dividends or advance monies to HSBC Holdings depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance. None of our subsidiaries that are excluded from the regulatory consolidation have capital resources below their minimum regulatory requirement.

For further details of our approach to treasury risk management, see page 203 of the Annual Report and Accounts 2023.

Own funds disclosure

Ref		At	
		31 Mar 2024	31 Dec 2023
		\$m	\$m
6	Common equity tier 1 capital before regulatory adjustments	164,710	165,868
28	Total regulatory adjustments to common equity tier 1	(38,438)	(39,367)
29	Common equity tier 1 capital	126,272	126,501
36	Additional tier 1 capital before regulatory adjustments	17,931	17,732
43	Total regulatory adjustments to additional tier 1 capital	(70)	(70)
44	Additional tier 1 capital	17,861	17,662
45	Tier 1 capital	144,133	144,163
51	Tier 2 capital before regulatory adjustments	29,474	28,148
57	Total regulatory adjustments to tier 2 capital	(1,092)	(1,107)
58	Tier 2 capital	28,382	27,041
59	Total capital	172,515	171,204

At 31 March 2024, our CET1 capital ratio increased to 15.2% from 14.8% at 31 December 2023, reflecting a decrease in RWAs of \$21.5bn, and a decline in CET1 capital of \$0.2bn.

The key drivers impacting the CET1 ratio were:

- a 0.7 percentage point increase from strategic transactions, including the gain on disposal of our Canada banking business adjusted for the \$0.21 per share special dividend, the RWA reduction from our disposals in France and Canada, which was partially offset by the impairment loss following the held for sale classification of our business in Argentina;
- a 0.2 percentage point increase from capital generation, mainly through regulatory profits less dividends, adjusted for the share buy-back announced at our 2023 year-end results;
- a 0.4 percentage point decrease was driven by higher underlying RWAs, excluding the reduction from our disposals in France and Canada; and
- a 0.2 percentage point decrease from the adverse impact of foreign exchange fluctuations and an increase in regulatory deductions.

Our Pillar 2A requirement at 31 March 2024, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was equivalent to 2.6% of RWAs, of which 1.5% was required to be met by CET1. Throughout 1Q24, we complied with the PRA's regulatory capital adequacy requirement.

Our leverage ratio was 5.7% at 31 March 2024, up from 5.6% at 31 December 2023. The reduction in the leverage exposures led to a rise of 0.1 percentage point in the leverage ratio, primarily due to a decline in the balance sheet. The decline in the balance sheet was mainly driven by the completion of the sale of our banking business in Canada and the sale of our retail banking operations in France.

The average leverage ratio was 5.6% at 31 March 2024, down from 5.7% at 31 December 2023. The movement is primarily due to an increase of 0.2 percentage points in the average leverage exposure, mainly due to a rise in the average balance sheet. This was partly offset by a rise of 0.1 percentage point in average Tier 1 capital.

For further details of certain risks to capital and liquidity, see page 203 of the Annual Report and Accounts 2023.

Key changes and regulatory assessments

Sale of our banking business in Canada

On 28 March 2024, HSBC Overseas Holdings (UK) Limited, a direct subsidiary of HSBC Holdings plc, completed the sale of HSBC Bank Canada to the Royal Bank of Canada.

The completion of the transaction resulted in a gain on sale of \$4.8bn inclusive of recycling of \$0.6bn in foreign currency translation reserve losses and \$0.4bn in other reserves losses. The gain on sale also included \$0.3bn in fair value gains recognised on the related foreign exchange hedges in the first quarter of 2024.

The gain on sale had a favourable impact of approximately 0.8 percentage points on our CET1 ratio, adjusted for the \$0.21 per share special dividend. Leverage exposures were reduced by \$85.4bn and Group RWAs reduced by \$32.7bn, which included the impact from the foreign exchange hedges for the Canada sale proceeds.

Sale of our retail banking operations in France

On 1 January 2024, HSBC Continental Europe completed the sale of its retail banking business in France to CCF, a subsidiary of Promontoria MMB SAS ('My Money Group'). As a result of the sale, our CET1 ratio increased by 0.1 percentage point, due to the reduced RWAs, and the leverage exposures decreased by \$15.4bn.

Upon completion and in accordance with the terms of the sale, HSBC Continental Europe retained a portfolio of €7.1bn (\$7.8bn) consisting of home and certain other loans.

Argentina

On 9 April 2024, HSBC Latin America B.V. entered into a binding agreement to sell its business in Argentina to Grupo Financiero Galicia ('Galicia').

The transaction is subject to conditions, including regulatory approval, and is expected to be completed within the next 12 months. At 31 March 2024, our investment in HSBC Argentina has been

classified as held for sale in accordance with IFRS 5. As a result, we classified total assets of \$5.1bn and total liabilities of \$3.5bn to held for sale, and recognised a \$1.1bn pre-tax loss in the first quarter of 2024, which reduced the CET1 ratio by 0.1 percentage point. The transaction is expected to have an immaterial impact on the Group's CET1 ratio at completion of sale, as the initial reduction of 0.1 percentage point in 1Q24 is expected to be broadly offset by the estimated reduction in RWAs on closing.

For further details of disposal groups and business acquisitions, see page 4 of the Earnings Release 1Q24.

Basel 3.1

The PRA is expected to release their near final draft of the remaining parts of Basel 3.1 in 2Q24. However, in preparation we are assessing the impact of the Basel 3.1 UK consultation paper released in November 2022 and the associated implementation challenges (including data provision) on our RWAs upon initial implementation, which is expected to be 1 July 2025. The RWA output floor under Basel 3.1 is proposed to be subject to a four-and-a-half year transitional provision. Any impact from the output floor is expected to be towards the end of the transition period.

Environmental, Social and Governance risk

The work by Basel on climate-related financial risks across all three pillars of regulation, supervision and disclosure is ongoing. The initial work by Basel concluded that climate risk drivers, including physical and transition risks, can be captured in traditional financial risk categories such as credit, market, operational and liquidity risks. As part of its wider efforts to improve ESG risk coverage, Basel published a consultation paper in November 2023 on a Pillar 3 disclosures framework for climate-related financial risks with a proposed effective date of 1 January 2026.

Risk-weighted assets

The table below shows total RWAs including free deliveries, and the corresponding total own funds requirement split by risk type, and represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II. Other counterparty credit risk includes securities financing transactions RWAs.

Overview of RWAs (OV1)

	At		
	31 Mar 2024	31 Dec 2023	31 Mar 2024
	RWAs \$m	RWAs \$m	Total own funds requirements \$m
1 Credit risk (excluding counterparty credit risk)	654,538	676,102	52,363
2 – standardised approach ('STD')	170,725	167,096	13,658
3 – foundation internal ratings-based ('FIRB') approach	79,330	77,544	6,346
4 – slotting approach	24,883	25,886	1,991
UK 4a – equities under the simple risk-weighted approach ¹	5,570	5,662	446
5 – advanced IRB ('AIRB') approach	374,030	399,914	29,922
6 Counterparty credit risk ('CCR')	36,613	35,374	2,929
7 – standardised approach	9,135	10,017	731
8 – internal model method ('IMM')	11,312	11,208	905
UK-8a – exposures to a central counterparty	1,817	1,675	145
UK-8b – credit valuation adjustment	2,042	2,763	163
9 – other counterparty credit risk	12,307	9,711	985
15 Settlement risk	95	104	8
16 Securitisation exposures in the non-trading book	9,038	7,887	723
17 – internal ratings-based approach ('SEC-IRBA')	2,754	2,169	220
18 – external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	2,321	2,410	186
19 – standardised approach ('SEC-SA')	3,799	3,142	304
UK-19a – 1250%/deduction	164	166	13
20 Position, foreign exchange and commodities risks (market risk)	36,641	37,490	2,931
21 – standardised approach	9,983	15,172	799
22 – internal models approach ('IMA')	26,658	22,318	2,132
23 Operational risk	95,708	97,157	7,657
UK-23b – standardised approach	95,708	97,157	7,657
29 Total	832,633	854,114	66,610
24 – of which: amounts below the thresholds for deduction (subject to 250% risk-weight) ²	46,756	46,969	3,740

¹ This includes off-balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per the PRA Rulebook Article 132(c).

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

The quarter-on-quarter RWA 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 reduced by \$21.6bn. Excluding a decrease of \$7.4bn from foreign currency translation differences, RWAs fell by \$14.2bn, reflecting:

- a \$30.1bn decrease primarily due to a \$26.6bn fall from the disposal of our banking business in Canada, and the sale of our retail banking operations in France.

This was partly offset by:

- a \$7.7bn increase in RWAs due to asset size movements, mainly from increased corporate lending, notably in HSBC Bank plc and SAB, and a temporary increase from the Canada sale proceeds;
- a \$7.2bn rise in RWAs due to asset quality movements driven by unfavourable credit risk rating migrations and portfolio mix changes in Asia; and
- a \$1.0bn increase in RWAs due to methodology changes and credit risk parameter refinements, notably in HSBC Bank plc and the Middle East.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs rose by \$1.2bn, largely due to higher securities financing exposures in Argentina, Asia and HSBC Bank plc, and risk parameter changes in HSBC Bank plc. These were partly offset by a \$0.5bn reduction from the disposal of our banking business in Canada.

Securitisation

Securitisation RWAs increased by \$1.2bn, primarily due to risk parameter changes in HSBC UK Bank plc and portfolio growth, notably in Asia.

Market risk

The \$0.9bn decrease in market risk RWAs was attributed to the \$5.6bn impact of the foreign exchange hedges for the Canada sale proceeds, which was largely offset by an increase of \$4.7bn, mainly driven by higher value at risk.

Operational risk

Operational risk RWAs decreased by \$1.5bn due to foreign exchange translation differences.

RWAs by legal entities¹

	HSBC UK Bank plc	HSBC Bank plc	The Hongkong and Shanghai Banking Corporation Limited	HSBC Bank Middle East Limited	HSBC North America Holdings Inc	HSBC Bank Canada ³	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations	Total
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Credit risk	110.7	75.8	318.9	18.2	61.2	—	26.7	43.2	8.9	663.6
Counterparty credit risk	0.2	18.2	9.5	0.6	3.2	—	0.8	4.2	—	36.7
Market risk ²	0.1	25.8	27.2	2.4	3.7	0.5	0.7	1.6	3.1	36.6
Operational risk	17.8	18.0	46.1	3.7	7.2	3.4	5.3	5.2	(11.0)	95.7
At 31 Mar 2024	128.8	137.8	401.7	24.9	75.3	3.9	33.5	54.2	1.0	832.6
At 31 Dec 2023	129.2	131.5	396.7	24.3	72.2	31.9	32.6	59.6	6.7	854.1

1 Balances are on a third-party Group consolidated basis.

2 Market risk RWAs are non-additive across the legal entities due to diversification effects within the Group.

3 The remaining RWA balance in HSBC Bank Canada results from averaging and will roll off over future reporting cycles.

The table below shows 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.

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

Ref		Quarter ended			
		31 Mar 2024 \$m	31 Dec 2023 \$m	30 Sep 2023 \$m	30 Jun 2023 \$m
1	RWAs at opening period	489,736	486,371	497,817	503,959
2	Asset size	4,772	(814)	919	(2,155)
3	Asset quality	7,623	1,779	1,409	1,077
4	Model updates	—	(120)	(902)	(660)
5	Methodology and policy	(750)	(4,208)	(3,058)	(4,711)
6	Acquisitions and disposals	(28,933)	(123)	(1,785)	—
7	Foreign exchange movements ¹	(6,294)	6,851	(8,029)	307
9	RWAs at end of period	466,154	489,736	486,371	497,817

1 Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies.

Excluding foreign currency translation differences, RWAs under the IRB approach fell by \$17.3bn during 1Q24.

RWAs decreased by \$28.9bn primarily due to a fall of \$25.4bn from the disposal of our banking business in Canada, and the sale of our retail banking operations in France.

Changes in methodology and policy led to a \$0.8bn decrease in RWAs, mostly due to credit risk parameter refinements and methodology changes, notably in HSBC Bank plc and the Middle East.

RWAs increased by \$7.6bn mainly due to unfavourable credit risk rating migrations and portfolio mix changes in Asia.

RWAs rose by \$4.8bn due to asset size movements, mainly reflecting a temporary RWA increase from the Canada sale proceeds, higher sovereign exposures and corporate lending.

The table below shows the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method approach.

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

Ref		Quarter ended			
		31 Mar 2024 \$m	31 Dec 2023 \$m	30 Sep 2023 \$m	30 Jun 2023 \$m
1	RWAs at opening period	11,208	11,819	12,029	11,080
2	Asset size	163	(589)	(266)	915
3	Credit quality of counterparties	(59)	(22)	56	34
9	RWAs at end of period	11,312	11,208	11,819	12,029

RWAs under the internal model method increased by \$0.1bn in 1Q24, largely due to mark-to-market movements.

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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.

RWA flow statements of market risk exposures under the IMA (MR2-B)

Ref	a	b	c	e	f	g	
	Value at risk ('VaR') \$m	Stressed VaR \$m	Incremental risk charge ('IRC') \$m	Other \$m	Total RWAs \$m	Capital requirement \$m	
1	RWAs at 1 Jan 2024	7,164	8,297	5,163	1,694	22,318	1,785
2	Movement in risk levels	1,231	3,299	(237)	47	4,340	347
3	Model updates/changes	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—
8	RWAs at 31 Mar 2024	8,395	11,596	4,926	1,741	26,658	2,132
1	RWAs at 1 Oct 2023	9,402	10,406	6,446	1,035	27,289	2,183
2	Movement in risk levels	(2,238)	(2,109)	(403)	570	(4,180)	(335)
3	Model updates/changes	—	—	—	(89)	(7)	(7)
4	Methodology and policy	—	—	(880)	89	(791)	(63)
8	RWAs at 31 Dec 2023	7,164	8,297	5,163	1,694	22,318	1,785
1	RWAs at 1 Jul 2023	9,322	9,614	5,839	1,221	25,996	2,080
2	Movement in risk levels	80	792	607	(186)	1,293	103
3	Model updates/changes	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—
8	RWAs at 30 Sep 2023	9,402	10,406	6,446	1,035	27,289	2,183
1	RWAs at 1 Apr 2023	7,994	8,337	5,476	1,601	23,408	1,873
2	Movement in risk levels	1,378	1,308	201	(291)	2,596	208
3	Model updates/changes	—	—	—	(89)	(89)	(7)
4	Methodology and policy	(50)	(31)	162	—	81	6
8	RWAs at 30 Jun 2023	9,322	9,614	5,839	1,221	25,996	2,080

RWAs under the internal models approach increased by \$4.3bn, mainly attributed to higher value at risk.

Minimum requirement for own funds and eligible liabilities

A minimum requirement for total loss-absorbing capacity ('TLAC') in line with the final standards adopted by the Financial Stability Board came into effect in the UK in January 2019. This includes a minimum requirement for own funds and eligible liabilities ('MREL').

MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure. The framework is complemented with disclosure requirements and these disclosures are based on the formats provided in the Basel Committee Standards for Pillar 3 disclosure requirements.

In line with our existing structure and business model, HSBC has three resolution groups – the European resolution group, the Asian resolution group and the US resolution group. There are some smaller entities that fall outside these resolution groups.

HSBC is expected to maintain a sufficient amount of resources that can credibly and feasibly be used to absorb losses in resolution and recapitalise to a level that ensures compliance with the conditions for regulatory authorisation and sustains market confidence. Further details on HSBC's resolvability can be found in our Resolvability Assessment Framework available on the [hsbc.com](https://www.hsbc.com) website.

Key metrics of the resolution groups

The following tables summarise key metrics for the total loss-absorbing capacity of each of the Group's three resolution groups. Fully loaded values and ratios are calculated without applying any regulatory transitional arrangements for expected credit losses that may be available to the resolution group.

Key metrics of the European resolution group¹ (KM2)

	At				
	31 Mar 2024 \$bn	31 Dec 2023 \$bn	30 Sep 2023 \$bn	30 Jun 2023 \$bn	31 Mar 2023 \$bn
1 Total loss-absorbing capacity ('TLAC') available	97.6	103.0	99.4	103.3	101.0
1a Fully loaded ECL accounting model TLAC available	97.6	103.0	99.4	103.3	101.0
2 Total RWAs at the level of the resolution group	278.4	275.0	261.4	271.3	273.7
3 TLAC as a percentage of RWA (row1/row2) (%)	35.1	37.5	38.0	38.1	36.9
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	35.1	37.4	38.0	38.1	36.9
4 Leverage exposure measure at the level of the resolution group ²	998.0	969.0	907.0	927.0	906.1
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%) ²	9.8	10.6	11.0	11.1	11.1
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%) ²	9.8	10.6	11.0	11.1	11.1
6a Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

Key metrics of the Asian resolution group³ (KM2)

	At				
	31 Mar 2024 \$bn	31 Dec 2023 \$bn	30 Sep 2023 \$bn	30 Jun 2023 \$bn	31 Mar 2023 \$bn
1 Total loss-absorbing capacity ('TLAC') available	110.8	110.7	108.2	110.3	115.2
1a Fully loaded ECL accounting model TLAC available	110.8	110.7	108.2	110.3	115.2
2 Total RWAs at the level of the resolution group	418.7	411.2	404.2	404.1	404.3
3 TLAC as a percentage of RWA (row1/row2) (%)	26.5	26.9	26.8	27.3	28.5
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	26.5	26.9	26.8	27.3	28.5
4 Leverage exposure measure at the level of the resolution group	1,257.1	1,237.8	1,222.8	1,211.6	1,206.3
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%)	8.8	8.9	8.8	9.1	9.6
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	8.8	8.9	8.8	9.1	9.6
6a Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

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Key metrics of the US resolution group (KM2)

		At				
		31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
		2024	2023	2023	2023	2023
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss-absorbing capacity ('TLAC') available	23.2	23.1	23.1	24.0	24.0
1a	Fully loaded ECL accounting model TLAC available ⁴	23.2	23.1	23.1	24.0	24.0
2	Total RWAs at the level of the resolution group	107.3	105.1	106.0	107.2	108.2
3	TLAC as a percentage of RWA (row1/row2) (%)	21.6	22.0	21.8	22.4	22.1
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%) ⁴	21.6	22.0	21.8	22.4	22.1
4	Leverage exposure measure at the level of the resolution group ⁵	229.4	222.4	216.3	217.5	215.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%) ⁵	10.1	10.4	10.7	11.0	11.1
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%) ^{4,5}	10.1	10.4	10.7	11.0	11.1
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	No	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks <i>pari passu</i> with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks <i>pari passu</i> with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A	N/A

1 The European resolution group reports in accordance with CRR II.

2 The leverage exposure is calculated in line with the PRA's UK leverage rules, and excludes central bank claims.

3 Reporting for the Asian resolution group follows the HKMA regulatory rules. For the Asian resolution group, there are no IFRS 9 transitional arrangements.

4 The US resolution group is reported under the US transitional arrangements for expected credit losses.

5 For the US resolution group, the leverage exposure and ratio for the current period are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations.

For further details on the Group's MREL and resolution groups, refer to page 31 of the Group's Pillar 3 Disclosures at 31 December 2023 document.

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 LCR aims to ensure that a bank has sufficient unencumbered 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. The Group consolidation methodology includes a deduction to reflect the impact of limitations in the transferability of entity liquidity around the Group. The result was an adjustment of \$142bn to LCR HQLA and \$6bn to LCR inflows on an average basis. In 2023, this methodology was enhanced to consider non-convertible currencies more accurately.

At 31 March 2024, all of the Group's material operating entities exceeded their minimum required regulatory levels. The average Group LCR for the 12 months to 31 March 2024 was 136% or \$172bn above the regulatory requirement, after the deduction related to limitations in transferring liquidity around the Group.

The average Group LCR HQLA of \$646bn (31 December 2023: \$648bn) was held in a range of asset classes and currencies.

The Group and its entities actively manage liquidity and funding drivers within its balance sheet, including derivatives and collateral management.

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 the NSFR or other appropriate metrics as a basis for ensuring operating entities raise sufficient stable funding to support their business activities. The NSFR is defined as the ratio between the amount of stable funding available and the amount of stable funding required. The average Group NSFR over the previous four quarters was 137% at 31 March 2024 and 138% at 31 December 2023. Prior quarters have been restated as a result of our enhanced calculation processes during the period, which resulted in a 2% increase on the current period NSFR.

Sources of funding

Our primary sources of funding are customer current accounts and 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.

For further details of our approach to treasury risk management, see page 203 of the Annual Report and Accounts 2023.

More details on the concentration of funding and liquidity sources may be found on page 211 of the Annual Report and Accounts 2023.

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The table 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.

Level and components of HSBC Group consolidated liquidity coverage ratio (LIQ1)

UK-1a		Quarter ended (average)							
		31 Mar 2024		31 Dec 2023		30 Sep 2023		30 Jun 2023	
		Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$m	Total unweighted value \$m	Total weighted value \$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')	645,789		647,505		641,068		631,213	
Cash outflows									
2	Retail deposits and small business funding	857,463	91,303	863,872	91,250	860,071	90,418	855,586	89,663
3	– of which: stable deposits	356,599	17,830	361,335	18,067	360,588	18,029	357,746	17,887
4	– of which: less stable deposits	500,864	73,473	502,537	73,183	499,484	72,389	497,840	71,776
5	Unsecured wholesale funding	796,520	358,589	800,916	360,317	801,147	360,801	806,001	363,743
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	251,419	61,449	252,460	61,719	253,059	61,888	256,219	62,700
7	– non-operational deposits (all counterparties)	534,794	286,833	538,682	288,824	539,000	289,825	540,536	291,797
8	– unsecured debt	10,307	10,307	9,774	9,774	9,088	9,088	9,246	9,246
9	Secured wholesale funding	29,355		31,011		31,452		30,237	
10	Additional requirements	326,390	100,330	321,004	102,152	320,392	104,158	316,602	105,295
11	– outflows related to derivative exposures and other collateral requirements	51,512	45,129	53,412	47,645	55,499	50,484	56,714	52,278
13	– credit and liquidity facilities	274,878	55,201	267,592	54,507	264,893	53,674	259,887	53,017
14	Other contractual funding obligations	101,135	65,088	101,018	65,818	100,799	65,931	99,385	63,006
15	Other contingent funding obligations	663,448	21,888	664,049	21,774	657,492	21,075	649,697	20,268
16	Total cash outflows	666,553		672,322		673,835		672,212	
Cash inflows									
17	Secured lending transactions (including reverse repos)	343,819	47,931	335,246	48,630	324,746	47,187	312,681	47,094
18	Inflows from fully performing exposures	109,992	83,145	110,597	83,435	109,814	82,705	110,361	83,057
19	Other cash inflows	119,703	61,690	121,553	63,206	124,722	67,171	120,290	64,382
20	Total cash inflows	573,514	192,766	567,396	195,271	559,282	197,063	543,332	194,533
UK-20c	Inflows subject to 75% cap	573,514	192,766	567,396	195,271	559,282	197,063	543,332	194,533
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer	645,789		647,505		641,068		631,213	
22	Total net cash outflows	473,787		477,051		476,772		477,679	
23	Liquidity coverage ratio (%)	136		136		134		132	

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures at 31 March 2024 contain certain forward-looking statements with respect to HSBC's: financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG targets, commitments and ambitions described herein.

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

These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war and the Israel-Hamas war and their impact on global economies and the markets where HSBC operates, which could have a material adverse effect on (among other things) our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Russia-Ukraine war and the Israel-Hamas war, inflationary pressures, commodity price changes, and ongoing developments in the commercial real estate sector in mainland China); potential changes in HSBC's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war 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, diplomatic tensions, including between China and the US, the UK, the EU, India and other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may adversely affect HSBC by creating regulatory, reputational and market risks; the efficacy of government, customer, and HSBC's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact HSBC both directly and indirectly through our customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using us as a conduit for illegal activities without our knowledge; the discontinuation of certain key lbors and the transition of the remaining legacy lbor contracts to near risk-free benchmark rates, which continues to expose HSBC to some financial and non-financial risks; and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of the 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 HSBC, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, which continues to be characterised by uncertainty and political disagreement, despite the signing of the Trade and Cooperation Agreement between the UK and the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policy, which may result in fluctuations in the value of the pound sterling; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG targets, commitments and ambitions (including the positions set forth in our thermal coal phase-out policy and our energy policy and our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors), which may result in our failure to achieve any of the expected benefits of our strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how we manage 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 us to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our

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subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; 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; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in our reporting frameworks and accounting standards, which have had and may continue to have a material impact on the way we prepare our financial statements; our ability to successfully execute planned strategic acquisitions and disposals; our success in adequately integrating acquired businesses into our business, including the integration of Silicon Valley Bank UK Limited ('SVB UK') into our CMB business; changes in our ability to manage third-party, fraud, financial crime and reputational risks inherent in our operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect our ability to recruit and retain senior management and diverse and skilled personnel; and changes in our ability to develop sustainable finance and ESG-related products consistent with the evolving

expectations of our regulators, and our capacity to measure the environmental and social impacts from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and the positions set forth in our thermal coal phase-out policy and our energy policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Managing risks' on page 35 of the Earnings Release 1Q24.

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 31 March 2024 is available in our Annual Report and Accounts for the fiscal year ended 31 December 2023, which was filed with the SEC on Form 20-F on 22 February 2024.

Abbreviations

\$	United States dollar
AIRB ¹	Advanced internal ratings-based approach
AT1 capital	Additional tier 1 capital
Basel	Basel Committee on Banking Supervision
Basel III	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
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
MENAT	Middle East, North Africa and Türkiye
MREL	Minimum requirements for own funds and eligible liabilities
NSFR ¹	Net stable funding ratio
OCI	Other comprehensive income
PRA ¹	Prudential Regulation Authority (UK)
RWA	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
STD	Standardised approach
SVB UK	Silicon Valley Bank UK Limited, now HSBC Innovation Bank Limited
TLAC ¹	Total loss-absorbing capacity
T1 capital ¹	Tier 1 capital
T2 capital ¹	Tier 2 capital
UK	United Kingdom
US	United States of America
VaR ¹	Value at risk

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

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