

HSBC Holdings plc

Pillar 3 Disclosures at 30 September 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 3Q24, 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 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 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 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 the 3Q24 Earnings Release of HSBC Holdings plc or to other documents.

The table below references where comparatives have been restated.

Page ref	Table Reference	Activity
4	Key metrics (KM1/FRS9-FL)	Updated net stable funding ratio ('NSFR') based on enhanced calculation implemented from 1Q24

The table below references where new disclosures have been added.

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

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

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.

Highlights

CET1 capital and ratio

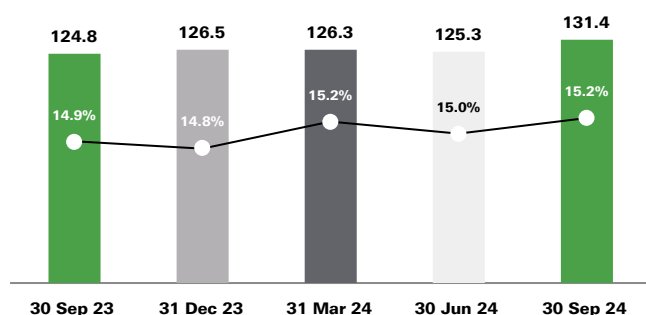
Our CET1 capital was \$131.4bn and our ratio was 15.2%, up 0.2 percentage points compared with 2Q24, mainly driven by capital generation, partly offset by the share buy-back announced at our 2Q24 results and an increase in RWAs.

- The Board approved a third interim dividend in respect of the financial year ending 31 December 2024 of \$0.10 per ordinary share. On 25 October 2024, we completed the \$3bn share buy-back announced at our 2Q24 results. We have announced with our

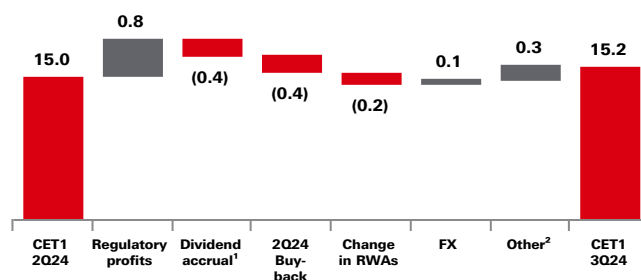
3Q24 results a share buy-back of up to \$3bn, which is expected to reduce the CET1 ratio by around 0.4 percentage points in 4Q24 including the impact of thresholds.

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

Capital and ratio



Ratio movement



¹ Includes the additional tier 1 ('AT1') coupons paid.

² 'Other' – CET1 includes c.\$2bn from movement in other reserves, primarily FVOCI and hyperinflation reserves.

RWAs

Our RWAs were \$863.9bn, an increase of \$28.8bn compared with 30 June 2024. Excluding the \$14.8bn rise from foreign currency translation differences, the remaining \$14.0bn increase was mainly attributed to growth in Commercial Banking ('CMB'), notably in HSBC UK Bank plc, credit quality movements in Asia and increases in respect of investments in associates.

RWAs by risk type

Risk-weighted assets	30 Sep 2024 \$bn	30 Jun 2024 \$bn
Credit risk	690.0	664.1
Counterparty credit risk	37.6	36.8
Market risk	37.4	37.9
Operational risk	98.9	96.3
Total RWAs	863.9	835.1

Leverage

Our leverage ratio was 5.7%, unchanged compared with 30 June 2024. This was driven by an increase in the leverage exposures, offset by a rise in tier 1 ('T1') capital.

Leverage

	30 Sep 2024	30 Jun 2024
Leverage ratio (%)	5.7	5.7

Liquidity

The Group LCR was 137% or \$176bn above the regulatory requirement and the high-quality liquid assets ('HQLA') were \$649.2bn. The Group NSFR was 141%. At 30 September 2024, all of the Group's material operating entities were above regulatory minimum levels.

Liquidity

	30 Sep 2024	30 Jun 2024
LCR (%)	137	137
NSFR (%)	141	138

During 1H24, we enhanced our liquidity consolidation process and revised the associated provisions originally recognised to address historical limitations. Our Group LCR and NSFR are reported on an average basis and the benefits of these changes are being recognised incrementally over the year starting from 30 June 2024.

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				
		30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
	Available capital (\$bn)					
1	Common equity tier 1 ('CET1') capital	131.4	125.3	126.3	126.5	124.8
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	131.4	125.3	126.3	126.4	124.8
2	Tier 1 capital	150.6	144.3	144.1	144.2	142.5
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	150.6	144.3	144.1	144.1	142.5
3	Total capital	179.8	172.1	172.5	171.2	165.5
	Total capital as if IFRS 9 transitional arrangements had not been applied	179.8	172.1	172.5	171.1	165.5
	Risk-weighted assets (\$bn)					
4	Total RWAs	863.9	835.1	832.6	854.1	840.0
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	863.9	835.1	832.6	854.0	840.0
	Capital ratios (%)					
5	CET1	15.2	15.0	15.2	14.8	14.9
	CET1 as if IFRS 9 transitional arrangements had not been applied	15.2	15.0	15.2	14.8	14.9
6	Tier 1	17.4	17.3	17.3	16.9	17.0
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	17.4	17.3	17.3	16.9	17.0
7	Total capital	20.8	20.6	20.7	20.0	19.7
	Total capital as if IFRS 9 transitional arrangements had not been applied	20.8	20.6	20.7	20.0	19.7
	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	0.8	0.7	0.7	0.7	0.7
10	Global systemically important institution buffer	2.0	2.0	2.0	2.0	2.0
11	Combined buffer requirement	5.3	5.2	5.2	5.2	5.2
UK-11a	Overall capital requirements	15.9	15.8	15.8	15.8	15.8
12	CET1 available after meeting the total SREP own funds requirements	9.2	9.0	9.2	8.8	8.9
	Leverage ratio					
13	Total exposure measure excluding claims on central banks (\$bn)	2,657.8	2,514.5	2,528.0	2,574.8	2,478.3
14	Leverage ratio excluding claims on central banks (%)	5.7	5.7	5.7	5.6	5.7
	Additional leverage ratio disclosure requirements					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	5.7	5.7	5.7	5.6	5.7
14b	Leverage ratio including claims on central banks (%)	5.0	5.0	5.0	4.8	4.9
14c	Average leverage ratio excluding claims on central banks (%)	5.7	5.7	5.6	5.7	5.8
14d	Average leverage ratio including claims on central banks (%)	5.0	5.0	4.9	4.9	5.0
14e	Countercyclical leverage ratio buffer (%)	0.3	0.3	0.3	0.2	0.2
EU-14d	Leverage ratio buffer requirement (%)	1.0	1.0	1.0	0.9	0.9
EU-14e	Overall leverage ratio requirements (%)	4.3	4.3	4.3	4.2	4.2
	Liquidity coverage ratio ('LCR')¹					
15	Total high-quality liquid assets (\$bn)	649.2	646.1	645.8	647.5	641.1
UK-16a	Cash outflows – total weighted value (\$bn)	657.9	660.1	666.6	672.3	673.8
UK-16b	Cash inflows – total weighted value (\$bn)	184.9	187.8	192.8	195.2	197.0
16	Total net cash outflow (\$bn)	473.0	472.3	473.8	477.1	476.8
17	LCR (%)	137	137	136	136	134
	Net stable funding ratio ('NSFR')^{1,2}					
18	Total available stable funding (\$bn)	1,538.7	1,544.1	1,571.9	1,601.9	1,599.2
19	Total required stable funding (\$bn)	1,092.7	1,115.1	1,151.1	1,162.3	1,157.0
20	NSFR (%)	141	138	137	138	138

1 We enhanced our liquidity consolidation process and revised the associated provisions originally recognised to address historical limitations during 1H24. As our Group LCR and NSFR are reported on an average basis, the benefits of these changes are being recognised incrementally over the year starting from 30 June 2024.

2 We enhanced our calculation processes during 1Q24 and our comparatives have been restated.

Capital

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 30 September 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 and Article 437a of CRR II, is also published on our website at www.hsbc.com with reference to our balance sheet on 30 June 2024. The full terms and conditions of our securities are also available at www.hsbc.com.

The table below provides the key components covering our CET1 capital, tier 1, tier 2 capital, and the regulatory adjustments on a transitional basis.

Own funds disclosure

Ref		At	
		30 Sep 2024	30 Jun 2024
		\$m	\$m
6	Common equity tier 1 capital before regulatory adjustments	172,730	164,545
28	Total regulatory adjustments to common equity tier 1	(41,302)	(39,252)
29	Common equity tier 1 capital	131,428	125,293
36	Additional tier 1 capital before regulatory adjustments	19,279	19,035
43	Total regulatory adjustments to additional tier 1 capital	(70)	(70)
44	Additional tier 1 capital	19,209	18,965
45	Tier 1 capital	150,637	144,258
51	Tier 2 capital before regulatory adjustments	30,247	28,914
57	Total regulatory adjustments to tier 2 capital	(1,117)	(1,088)
58	Tier 2 capital	29,130	27,826
59	Total capital	179,767	172,084

At 30 September 2024, our CET1 capital ratio increased to 15.2% from 15.0% at 30 June 2024, driven by an increase in CET1 capital of \$6.1bn, partly offset by an increase in RWAs of \$28.8bn.

The key drivers impacting the CET1 ratio were:

- a 0.3 percentage point increase from capital generation, mainly through regulatory profits and other reserves, partly offset by dividends and the share buy-back announced with our 2Q24 results;
- a 0.1 percentage point increase from the favourable impact of foreign exchange fluctuations; and
- a 0.2 percentage point decrease driven by higher RWAs, mainly from asset size and asset quality movements.

HSBC has no current or foreseen practical or legal impediment envisaged with regard to planned dividends 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 had capital resources below their minimum regulatory requirement as at 30 September 2024.

- ▣ For further details of our approach to treasury risk management including capital risk, liquidity risk, interest rate risk in the banking book, non-trading foreign exchange exposure and pension risk, see page 203 of the Annual Report and Accounts 2023.

Our Pillar 2A requirement at 30 September 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 3Q24, we complied with the PRA's regulatory capital adequacy requirement.

- ▣ For further details of certain risks to capital and liquidity, see page 97 of the Interim Report 2024.

Key changes and regulatory assessments

Basel 3.1

In the UK, the PRA published its second set of near-final rules on credit risk, the output floor, and reporting and disclosure elements of Basel III Reforms ('Basel 3.1') in September 2024. Near-final rules in relation to the market risk, credit valuation adjustments, counterparty risk and operational risk elements of the package were published by the PRA in December 2023. The implementation date is delayed by a further six months to 1 January 2026, with an output floor transitional period of four years until 31 December 2029.

We continue to assess the impact of Basel 3.1 standards on our capital, including the recent release of more beneficial PRA near-final rules, developments in the US and associated implementation challenges (including data provision). We continue to expect that the impact on our CET1 ratio at 1 January 2026 will be immaterial.

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 consulted 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. 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.

Overview of RWAs (OV1)

		At		
		30 Sep 2024	30 Jun 2024	30 Sep 2024
		RWAs \$m	RWAs \$m	Total own funds requirements \$m
1	Credit risk (excluding counterparty credit risk)	680,610	655,014	54,449
	– standardised approach ('STD')	183,862	176,384	14,709
3	– foundation internal ratings-based ('FIRB') approach	84,794	79,729	6,784
4	– slotting approach	24,027	22,737	1,922
UK 4a	– equities under the simple risk-weighted approach	5,703	5,631	456
5	– advanced IRB ('AIRB') approach	382,224	370,533	30,578
6	Counterparty credit risk ('CCR')	37,495	36,592	3,000
7	– standardised approach	9,259	9,638	741
8	– internal model method ('IMM')	13,021	12,682	1,042
UK-8a	– exposures to a central counterparty	1,999	2,122	160
UK-8b	– credit valuation adjustment	1,925	1,903	154
9	– other counterparty credit risk	11,292	10,247	903
15	Settlement risk	62	159	5
16	Securitisation exposures in the non-trading book (after the cap)	9,412	9,164	753
17	– internal ratings-based approach ('SEC-IRBA')	2,894	2,520	232
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	2,296	2,238	184
19	– standardised approach ('SEC-SA')	4,047	4,242	324
UK-19a	– 1250%/deduction	175	164	14
20	Position, foreign exchange and commodities risks (market risk)	37,432	37,871	2,995
21	– standardised approach	10,093	10,344	808
22	– internal models approach ('IMA')	27,339	27,527	2,187
23	Operational risk	98,913	96,318	7,913
UK-23b	– standardised approach	98,913	96,318	7,913
29	Total	863,923	835,118	69,115
24	– of which: amounts below the thresholds for deduction (subject to 250% risk-weight) ¹	47,156	45,824	3,773

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 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 increased by \$25.6bn. Excluding an increase of \$12.0bn from foreign currency translation differences, RWAs rose by \$13.6bn, mainly reflecting:

- an \$11.2bn increase in RWAs due to asset size movements, primarily driven by a rise in corporate exposures, notably in HSBC UK Bank plc and Asia, increases in respect of investments in associates, and higher sovereign exposures, mainly in Asia; and
- a \$4.7bn rise in RWAs due to asset quality movements, mainly from unfavourable credit risk rating migrations in Asia, including in the Hong Kong commercial real estate sector and the US.

These increases were partly offset by:

- a \$1.6bn decrease in RWAs due to credit risk parameter refinements, offset by methodology changes notably in Asia, HSBC UK Bank plc and the US; and
- a \$0.5bn decline in RWAs reflecting a \$1.7bn decrease due to changes to the financial institutions models, partly offset by the increase in post-model adjustment for the Hong Kong mortgage model.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs rose by \$0.8bn, largely due to higher securities financing exposures and an increased derivatives portfolio, notably in HSBC Bank plc, partly offset by a \$0.5bn decrease due to changes to the financial institutions models.

Securitisation

Securitisation RWAs increased by \$0.3bn, primarily due to portfolio growth.

Market risk

The \$0.5bn decrease in market risk RWAs was mainly attributed to lower value at risk ('VaR') and foreign exchange exposures, partly offset by a rise in stressed value at risk ('SVaR'), and a higher incremental risk charge ('IRC') from increased positions.

Operational risk

Operational risk RWAs increased by \$2.6bn 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	Grupo Financiero HSBC, S.A. de C.V.	Other trading entities	Holding companies, shared service centres and intra-Group eliminations ²	Total
	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn	\$bn
Credit risk	121.4	76.9	326.6	19.6	63.6	—	24.1	49.1	8.7	690.0
Counterparty credit risk	0.3	20.1	10.6	0.5	3.6	—	0.5	2.0	—	37.6
Market risk ³	0.2	25.0	27.2	1.6	3.0	—	0.8	1.8	2.5	37.4
Operational risk	18.9	18.8	47.2	3.7	7.2	—	4.5	4.7	(6.1)	98.9
At 30 Sep 2024	140.8	140.8	411.6	25.4	77.4	—	29.9	57.6	5.1	863.9
At 30 Jun 2024	131.5	137.1	401.2	26.1	76.8	—	31.3	55.0	4.9	835.1

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

2 Balances include HSBC Bank Canada operational risk RWAs due to the averaging calculation and will roll off over future reporting cycles.

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

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			
	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	\$m	\$m	\$m	\$m
1 RWAs at opening period	460,941	466,154	489,736	486,371
2 Asset size	4,437	4,030	4,772	(814)
3 Asset quality	3,709	(6,052)	7,623	1,779
4 Model updates	(549)	(1,773)	—	(120)
5 Methodology and policy	(834)	(472)	(750)	(4,208)
6 Acquisitions and disposals	—	62	(28,933)	(123)
7 Foreign exchange movements ¹	10,630	(1,008)	(6,294)	6,851
9 RWAs at end of period	478,334	460,941	466,154	489,736

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

Excluding foreign currency translation differences, RWAs under the IRB approach increased by \$6.8bn during 3Q24, largely reflecting:

- a \$4.4bn RWA increase in asset size movements primarily driven by a rise in corporate exposures in HSBC UK Bank plc and Asia, and higher sovereign exposures, mainly in Asia;
- a \$3.7bn increase in RWAs from asset quality movements due to unfavourable credit risk rating migrations in Asia, including in the Hong Kong commercial real estate sector and the US;

- credit risk parameter refinements offset by methodology changes, notably in Asia, HSBC UK Bank plc and the US, led to a decrease of \$0.8bn in RWAs; and
- a \$0.5bn decrease in RWAs from model updates reflecting a \$1.7bn decrease due to changes to the financial institutions models, partly offset by the increase in post-model adjustment for the Hong Kong mortgage model.

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			
	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
	\$m	\$m	\$m	\$m
1 RWAs at opening period	12,682	11,312	11,208	11,819
2 Asset size	748	27	163	(589)
3 Credit quality of counterparties	(409)	1,343	(59)	(22)
9 RWAs at end of period	13,021	12,682	11,312	11,208

RWAs under the internal model method increased by \$0.3bn in 3Q24, largely driven by an increased derivatives portfolio, partly offset by changes in the financial institutions model.

Pillar 3 Disclosures at 30 September 2024

The table 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.

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	Total own funds requirements \$m
1	RWAs at 1 Jul 2024	8,173	11,186	6,418	1,750	27,527	2,202
2	Movement in risk levels	(1,675)	1,435	496	(109)	147	12
3	Model updates/changes	(13)	(349)	27	—	(335)	(27)
8	RWAs at 30 Sep 2024	6,485	12,272	6,941	1,641	27,339	2,187
1	RWAs at 1 Apr 2024	8,395	11,596	4,926	1,741	26,658	2,132
2	Movement in risk levels	(222)	(410)	1,492	9	869	70
3	Model updates/changes	—	—	—	—	—	—
8	RWAs at 30 Jun 2024	8,173	11,186	6,418	1,750	27,527	2,202
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	—	—	—	—	—	—
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	—	—	(880)	89	(791)	(63)
8	RWAs at 31 Dec 2023	7,164	8,297	5,163	1,694	22,318	1,785

RWAs under the internal models approach decreased by \$0.2bn during 3Q24, mainly attributed to lower VaR, partly offset by a rise in SVaR, and a higher IRC. VaR RWAs reduction was a result of severe scenarios rolling off the two-year lookback period, while SVaR RWAs saw an uplift due to rates scenarios impacting the Group portfolio. The increase in IRC was due to portfolio changes over the quarter driven mainly by sovereign and banking sector exposures.

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.

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

		VaR	Stressed VaR	IRC	Other	Total RWAs	Total own funds requirements
		\$m	\$m	\$m	\$m	\$m	\$m
1	RWAs at 1 Jul 2024	8,173	11,186	6,418	1,750	27,527	2,202
1a	Regulatory adjustment	(6,052)	(7,653)	—	—	(13,705)	(1,096)
1b	RWAs at the previous quarter end (end of day)	2,121	3,533	6,418	1,750	13,822	1,106
2	Movement in risk levels	(538)	92	(427)	(109)	(982)	(83)
3	Model updates/changes	(13)	(349)	27	—	(335)	(27)
8a	RWAs at the end of the reporting period (end of day)	1,570	3,276	6,018	1,641	12,505	996
8b	Regulatory adjustment	4,915	8,996	923	—	14,834	1,191
8	RWAs at 30 Sep 2024	6,485	12,272	6,941	1,641	27,339	2,187
1	RWAs at 1 Apr 2024	8,395	11,596	4,926	1,741	26,658	2,132
1a	Regulatory adjustment	(6,030)	(8,851)	(284)	—	(15,165)	(1,213)
1b	RWAs at the previous quarter end (end of day)	2,365	2,745	4,642	1,741	11,493	919
2	Movement in risk levels	(244)	788	1,776	9	2,329	187
3	Model updates/changes	—	—	—	—	—	—
8a	RWAs at the end of the reporting period (end of day)	2,121	3,533	6,418	1,750	13,822	1,106
8b	Regulatory adjustment	6,052	7,653	—	—	13,705	1,096
8	RWAs at 30 Jun 2024	8,173	11,186	6,418	1,750	27,527	2,202

Leverage

The table below provides information on 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.

Leverage ratio common disclosure (UK LR2-LRCom)

		At	
		30 Sep 2024	30 Jun 2024
25	Leverage ratio excluding claims on central banks (%)	5.7	5.7
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.7	5.7
UK-25c	Leverage ratio including claims on central banks (%)	5.0	5.0
27	Leverage ratio buffer (%)	1.0	1.0
UK-27a	of which: G-SII or O-SII additional leverage ratio buffer (%)	0.7	0.7
UK-27b	of which: countercyclical leverage ratio buffer (%)	0.3	0.3
UK-32	Average total exposure measure excluding claims on central banks (\$m)	2,576,105	2,501,151
UK-33	Average leverage ratio including claims on central banks (%)	5.0	5.0
UK-34	Average leverage ratio excluding claims on central banks (%)	5.7	5.7

Our leverage ratio was 5.7% at 30 September 2024, unchanged from 30 June 2024. The increase in the leverage exposures led to a 0.3 percentage point fall in the leverage ratio, primarily due to growth in the balance sheet, which was offset by a 0.3 percentage point increase due to an increase in T1 capital.

The average leverage ratio of 5.7%, remained stable compared to 30 June 2024, due to a 0.2 percentage point decrease in the leverage exposure, primarily driven by growth in the average balance sheet. This was offset by an increase in average T1 capital of 0.2 percentage points.

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 average Group LCR for the 12 months to 30 September 2024 was 137% (30 June 2024: 137%) or \$176bn above the regulatory requirement. At 30 September 2024, all of the Group's material operating entities exceeded their minimum required regulatory levels. 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 \$136bn to LCR HQLA and \$6bn to LCR inflows on an average basis.

The average Group LCR HQLA of \$649bn (30 June 2024: \$646bn) was held in a range of asset classes and currencies.

The Group and its entities actively manage liquidity and funding drivers within the 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 141% at 30 September 2024 and 138% at 30 June 2024.

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 103 of the Interim Report 2024.

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.

Quantitative information of LCR¹ (UK LIQ1)

UK-1a		Quarter ended (average)							
		30 Sep 2024		30 Jun 2024		31 Mar 2024		31 Dec 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	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')	649,199		646,052		645,789		647,505	
Cash outflows									
2	Retail deposits and small business funding	840,445	91,106	844,777	90,817	857,463	91,303	863,872	91,250
3	– of which: stable deposits	344,131	17,207	348,761	17,438	356,599	17,830	361,335	18,067
4	– of which: less stable deposits	496,314	73,899	496,016	73,379	500,864	73,473	502,537	73,183
5	Unsecured wholesale funding	792,760	358,466	788,146	355,493	796,520	358,589	800,916	360,317
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	250,731	61,277	249,673	61,012	251,419	61,449	252,460	61,719
7	– non-operational deposits (all counterparties)	530,853	286,013	527,745	283,753	534,794	286,833	538,682	288,824
8	– unsecured debt	11,176	11,176	10,728	10,728	10,307	10,307	9,774	9,774
9	Secured wholesale funding		29,826		29,527		29,355		31,011
10	Additional requirements	339,232	97,190	333,111	99,137	326,390	100,330	321,004	102,152
11	– outflows related to derivative exposures and other collateral requirements	49,718	41,616	50,552	43,503	51,512	45,129	53,412	47,645
13	– credit and liquidity facilities	289,514	55,574	282,559	55,634	274,878	55,201	267,592	54,507
14	Other contractual funding obligations	96,920	59,610	99,966	63,366	101,135	65,088	101,018	65,818
15	Other contingent funding obligations	648,174	21,746	654,775	21,788	663,448	21,888	664,049	21,774
16	Total cash outflows		657,944		660,128		666,553		672,322
Cash inflows									
17	Secured lending transactions (including reverse repos)	361,134	47,043	347,607	46,365	343,819	47,931	335,246	48,630
18	Inflows from fully performing exposures	107,274	81,171	108,691	82,418	109,992	83,145	110,597	83,435
19	Other cash inflows	114,418	56,717	116,281	59,012	119,703	61,690	121,553	63,206
20	Total cash inflows	582,826	184,931	572,579	187,795	573,514	192,766	567,396	195,271
UK-20c	Inflows subject to 75% cap	582,826	184,931	572,579	187,795	573,514	192,766	567,396	195,271
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		649,199		646,052		645,789		647,505
22	Total net cash outflows		473,013		472,333		473,787		477,051
23	Liquidity coverage ratio (%)		137		137		136		136

¹ We enhanced our liquidity consolidation process and revised the associated provisions originally recognised to address historical limitations during 2Q24. As our Group LCR is reported on an average basis, the benefits of these changes are being recognised incrementally over the year starting from 30 June 2024.

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 ('ERG'), the Asian resolution group ('ARG') and the US resolution group ('URG'). 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 ECL that may be available to the resolution group.

The Group and the ERG report in accordance with CRR II, and the leverage exposure, is calculated in line with the PRA's UK leverage rules and excludes central bank claims. Reporting for the ARG follows the Hong Kong Monetary Authority regulatory rules and there are no IFRS 9 transitional arrangements. For the URG, leverage exposures and ratios are based on 'total assets for the leverage ratio' as reported in the regulatory capital calculations. The US accounting standard corresponding to IFRS 9 is in force with transitional adjustments.

Key metrics of the European resolution group (KM2)

	At				
	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
	\$bn	\$bn	\$bn	\$bn	\$bn
1 Total loss-absorbing capacity ('TLAC') available	108.6	105.7	97.6	103.0	99.4
1a Fully loaded ECL accounting model TLAC available	108.6	105.7	97.6	103.0	99.4
2 Total RWAs at the level of the resolution group	293.9	280.9	278.4	275.0	261.4
3 TLAC as a percentage of RWA (row1/row2) (%)	37.0	37.6	35.1	37.5	38.0
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	37.0	37.6	35.1	37.4	38.0
4 Leverage exposure measure at the level of the resolution group ¹	1,037.0	992.9	998.0	969.0	907.0
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%) ¹	10.5	10.6	9.8	10.6	11.0
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%) ¹	10.5	10.6	9.8	10.6	11.0
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 pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu 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 From 30 September 2024, we aligned our treatment of the leverage exposure measure to the calculation of total TLAC resources for the ERG, which excludes investments up to TLAC resources in group entities outside ERG. This approach ensures that all items are treated consistently in both the numerator and denominators of these rows.

Key metrics of the Asian resolution group (KM2)

		At				
		30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss-absorbing capacity ('TLAC') available	118.7	110.9	110.8	110.7	108.2
1a	Fully loaded ECL accounting model TLAC available	118.7	110.9	110.8	110.7	108.2
2	Total RWAs at the level of the resolution group	424.2	420.0	418.7	411.2	404.2
3	TLAC as a percentage of RWA (row1/row2) (%)	28.0	26.4	26.5	26.9	26.8
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	28.0	26.4	26.5	26.9	26.8
4	Leverage exposure measure at the level of the resolution group	1,332.1	1,257.1	1,257.1	1,237.8	1,222.8
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	8.9	8.8	8.8	8.9	8.8
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	8.9	8.8	8.8	8.9	8.8
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 pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu 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 US resolution group (KM2)

		At				
		30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023
		\$bn	\$bn	\$bn	\$bn	\$bn
1	Total loss-absorbing capacity ('TLAC') available	23.6	23.3	23.2	23.1	23.1
1a	Fully loaded ECL accounting model TLAC available	23.6	23.3	23.2	23.1	23.1
2	Total RWAs at the level of the resolution group	109.4	109.9	107.3	105.1	106.0
3	TLAC as a percentage of RWA (row1/row2) (%)	21.6	21.2	21.6	22.0	21.8
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	21.6	21.2	21.6	22.0	21.8
4	Leverage exposure measure at the level of the resolution group	230.4	231.8	229.4	222.4	216.3
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	10.2	10.1	10.1	10.4	10.7
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	10.2	10.1	10.1	10.4	10.7
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 pari passu with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu 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

For further details on the Group's MREL and resolution groups, refer to page 23 of the Group's Pillar 3 Disclosures at 30 June 2024 document.

Cautionary statement regarding forward-looking statements

These Pillar 3 Disclosures at 30 September 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, 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, the Israel-Hamas war and the broader conflict in the Middle East 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, the Israel-Hamas war and the broader conflict in the Middle East, 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, the Israel-Hamas war or 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, 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, 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 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 (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) 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 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 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 'Risk - Managing risk' on page 48 of the Earnings Release 3Q24.

Additional detailed information concerning important factors, including but not limited to ESG-related factors, that could cause actual results to differ materially from those anticipated or implied in any forward-looking statement in these Pillar 3 Disclosures at 30 September 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
Apr	April
ARG	Asian resolution group
AT1 capital	Additional tier 1 capital
Aug	August
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
CIU	Collective investment undertakings
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)
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
EEA	European Economic Area
ERG	European resolution group
EU	European Union
Feb	February
FIRB ¹	Foundation internal-ratings based approach
FSB	Financial Stability Board
FVOCI ¹	Fair value through other comprehensive income
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
Jan	January
Jul	July
Jun	June
LCR ¹	Liquidity coverage ratio
LREQ firm	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
MENAT	Middle East, North Africa and Türkiye
MREL	Minimum requirements for own funds and eligible liabilities
Nov	November
NSFR ¹	Net stable funding ratio
OCI	Other comprehensive income
Oct	October
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
Sep	September
SREP	Supervisory review and evaluation process
STD	Standardised approach
SVaR	Stressed value at risk
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
URG	US resolution group
VaR ¹	Value at risk

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

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