

Background

HSBC Holdings plc ('HSBC') is assessed as a global systemically important bank ('G-SIB') under the methodology established by the Financial Stability Board and Basel Committee.

In July 2013, the Basel Committee issued final rules on G-SIB assessment, including the requirements for disclosure of the data underlying this process. The table below represents our first disclosure under these rules, as required by the Prudential Regulation Authority ('PRA') in line with the European Banking Authority's ('EBA's) final draft regulatory and implementing technical standards ('RTS', 'ITS') and Guidelines issued on 5 June 2014. These are to implement the Basel rules on G-SIB assessment methodology and disclosure within the European Union under the CRD IV legislation.

General Bank Data

Section 1: General Information

(1) Reporting date	31 December 2013
(2) Reporting currency and unit	US\$ millions unless stated otherwise
(3) Euro translation rate	0.725110579
(4) Accounting standard	IFRS
(5) Location of public disclosure	http://www.hsbc.com/investor-relations/financial-and-regulatory-reports

Size Indicator

Section 2: Total Exposures

a. Counterparty exposure of derivatives contracts (method 1)	69,379
b. Gross value of securities financing transactions (SFTs)	297,374
c. Counterparty exposure of SFTs	12,320
d. Other assets	2,351,741
(1) Securities received in SFTs that are recognised as assets	0
e. Total on-balance sheet items (sum of items 2.a, 2.b, 2.c, and 2.d, minus 2.d.(1))	2,730,814
f. Potential future exposure of derivative contracts (method 1)	170,130
g. Notional amount of off-balance sheet items with a 0% Credit Conversion Factor ('CCF')	407,733
(1) Unconditionally cancellable credit card commitments	99,652
(2) Other unconditionally cancellable commitments	308,081
h. Notional amount of off-balance sheet items with a 20% CCF	5,931
i. Notional amount of off-balance sheet items with a 50% CCF	53,633
j. Notional amount of off-balance sheet items with a 100% CCF	348,544
k. Total off-balance sheet items (sum of items 2.f, 2.g, and 2.h to 2.j, minus 0.9 times the sum of items 2.g.(1) and 2.g.(2))	619,011
l. Entities consolidated for accounting purposes but not for risk-based regulatory purposes:	
(1) On-balance sheet assets	20,778
(2) Potential future exposure of derivatives contracts	0
(3) Unconditionally cancellable commitments	0
(4) Other off-balance sheet commitments	257
(5) Investment value in the consolidated entities	7,185
m. Regulatory adjustments	33,617
Total exposures indicator (sum of items 2.e, 2.k, 2.l.(1), 2.l.(2), 0.1 times 2.l.(3), 2.l.(4), minus the sum of items 2.l.(5) and 2.m)	3,330,058

The disclosure

In accordance with the PRA's direction, our disclosure is presented using the format of the template in the EBA's ITS which mirrors, in its structure and the instructions for its completion, the template used for the Basel G-SIB assessment and ranking.

The scope of the requirement for HSBC is a group consolidated basis. The data, which is at 31 December 2013, has been prepared in accordance with our interpretation of the EBA's ITS and Guidelines and the footnotes to the table below. This data, as reported also within the G-SIB assessment process, will be used in determining HSBC's 2014 G-SIB ranking and thereby our actual G-SIB buffer to be applied at the start of its implementation in 2016.

*Interconnectedness Indicators***Section 3: Intra-Financial System Assets**

a. Funds deposited with or lent to other financial institutions	370,249
(1) Certificates of deposit	20,278
b. Undrawn committed lines extended to other financial institutions	1,989
c. Holdings of securities issued by other financial institutions ¹ :	
(1) Secured debt securities	28,242
(2) Senior unsecured debt securities	27,783
(3) Subordinated debt securities	127
(4) Commercial paper	8,177
(5) Stock (including par and surplus of common and preferred shares)	15,209
(6) Offsetting short positions in relation to the specific stock holdings included in item 3.c.(5)	0
d. Net positive current exposure of SFTs with other financial institutions	7,933
e. OTC derivatives with other financial institutions that have a net positive fair value:	
(1) Net positive fair value (including collateral held, if it is within the master netting agreement)	15,539
(2) Potential future exposure	71,084
Intra-financial system assets indicator (sum of items 3.a, 3.b to 3.c.(5), 3.d, 3.e.(1), and 3.e.(2), minus 3.c.(6))	<u>546,332</u>

Section 4: Intra-Financial System Liabilities

a. Deposits due to depository institutions	205,329
b. Deposits due to non-depository financial institutions	206,814
c. Undrawn committed lines obtained from other financial institutions	797
d. Net negative current exposure of SFTs with other financial institutions	7,279
e. OTC derivatives with other financial institutions that have a net negative fair value:	
(1) Net negative fair value (including collateral provided, if it is within the master netting agreement)	3,537
(2) Potential future exposure	60,786
Intra-financial system liabilities indicator (sum of items 4.a to 4.e.(2))	<u>484,542</u>

Section 5: Securities Outstanding

a. Secured debt securities	15,451
b. Senior unsecured debt securities	122,247
c. Subordinated debt securities	42,823
d. Commercial paper	10,538
e. Certificates of deposit	31,205
f. Common equity	206,067
g. Preferred shares and any other forms of subordinated funding not captured in item 5.c.	3,685
Securities outstanding indicator (sum of items 5.a to 5.g)	<u>432,016</u>

*Substitutability/Financial Institution Infrastructure Indicators***Section 6: Payments made in the reporting year ¹
(excluding intra-group payments)**

	Reported in	Amount in millions of the specified currency	
a. Australian dollars	AUD	1,741,819	1,685,385
b. Brazilian real	BRL	594,216	276,463
c. Canadian dollars	CAD	1,072,535	1,041,491
d. Swiss francs	CHF	491,489	530,267
e. Chinese yuan	CNY	6,832,462	1,111,405
f. Euros	EUR	10,748,296	14,274,812
g. British pounds	GBP	16,239,600	25,403,656
h. Hong Kong dollars	HKD	24,562,420	3,166,665
i. Indian rupee	INR	16,377,496	280,557
j. Japanese yen	JPY	156,974,330	1,610,608
k. Swedish krona	SEK	2,498,291	383,570
l. United States dollars	USD	28,253,821	28,253,821
Payments activity indicator (sum of items 6.a to 6.l)			<u>78,018,700</u>

Section 7: Assets Under Custody ¹

Assets under custody indicator	6,193,539
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Section 8: Underwritten Transactions in Debt and Equity Markets ¹

a. Equity underwriting activity	5,772
b. Debt underwriting activity	347,086
Underwriting activity indicator (sum of items 8.a and 8.b)	<u>352,858</u>

Complexity Indicators**Section 9: Notional Amount of OTC Derivatives¹**

a. OTC derivatives cleared through a central counterparty	18,875,237
b. OTC derivatives settled bilaterally	13,929,329
OTC derivatives indicator (sum of items 9.a and 9.b)	<u>32,804,566</u>

Section 10: Trading and Available-for-Sale Securities¹

a. Held-for-trading securities (HFT)	226,780
b. Available-for-sale securities (AFS)	365,556
c. Trading and AFS securities that meet the definition of Level 1 assets	304,519
d. Trading and AFS securities that meet the definition of Level 2 assets, with haircuts	31,284
Trading and AFS securities indicator (sum of items 10.a and 10.b, minus the sum of 10.c and 10.d)	<u>256,533</u>

Section 11: Level 3 Assets

Level 3 assets indicator	14,774
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Cross-Jurisdictional Activity Indicators²**Section 12: Cross-Jurisdictional Claims**

a. Foreign claims on an ultimate risk basis (excluding derivatives activity)	1,529,946
Cross-jurisdictional claims indicator (item 12.a)	<u>1,529,946</u>

Section 13: Cross-Jurisdictional Liabilities

a. Foreign liabilities (excluding derivatives and local liabilities in local currency)	1,064,758
(1) Any foreign liabilities to related offices included in item 13.a.	50,637
b. Local liabilities in local currency (excluding derivatives activity)	694,097
Cross-jurisdictional liabilities indicator (sum of items 13.a and 13.b, minus 13.a.(1))	<u>1,708,218</u>

Notes on the basis of preparation:

- The scope of consolidation for the indicators is required to be generally the regulatory basis. For certain items where detailed information for our proportionally consolidated associates is not available, the accounting consolidation has been used.*
- In accordance with the 'Instructions for the end-2013 data collection exercise of the Macroprudential Supervision Group', cross-jurisdictional assets and liabilities include local assets/liabilities in local currency of all non-UK offices but exclude balances of associates.*

The G-SIB assessment methodology

Under the Basel Committee's G-SIB ranking and capital charge assessment methodology, which the EBA's methodology reflects, a large group of the most systemically important banks as a proxy for the global banking sector is scored under the 12 indicators in sections 2 to 13 above.

The score for each indicator is calculated by dividing a bank's reported value by the aggregate of the values for that indicator reported by the reference group. This amount is then expressed in basis points. For example: if a bank's reported 'Size' indicator made up 3% of the aggregate value reported, its basis point score for this indicator would be 300.

The score in each of the five main categories set out above is then determined as a simple

average of the indicator scores within that category (subject to a cap on the score for Substitutability), and the bank's overall score as a simple average of the five category scores.

It is important to note that a bank's ranking for the purpose of allocation of a capital charge on the scale 0% to 2.5% will therefore be driven by its relative complexity, substitutability, etc. compared with the entire reference group of banks, materially influenced by those of the largest banks in the group.

Thus, if a bank were significantly to shrink its size, simplify operations and reduce complexity, but others were to take even greater steps in this regard, then that bank might nevertheless rise in the overall ranking and potentially incur an increased capital buffer.