HSBC Holdings plc

Pillar 3 Disclosures at 30 September 2023

HSBC

Contents

Tables[1]

1 *The references in the tables identify lines prescribed in the relevant PRA template where applicable and where there is a value to disclose.*

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 '$m' and '$bn' represent millions and billions (thousands of millions) of US dollars respectively.

This document should be read in conjunction with the *Earnings Release 3Q23*, which has been published on our website at www.hsbc.com/investors.

Introduction

Pillar 3 disclosures and governance

Regulatory framework for disclosure

We are supervised on a consolidated basis in the UK by the Prudential Regulation Authority ('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, which 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.

Any references to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law. We refer to the regulatory requirements of the PRA Rulebook, Capital Requirements Regulation and Directive, and the CRR II regulation (EU 2019/876) as 'CRR II'.

At a consolidated Group level, capital is calculated for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('Basel'), as implemented in the UK. The Basel III framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and 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 condition, risk exposures and risk management processes, and hence their capital adequacy.

Our *Pillar 3 Disclosures at 30 September 2023* comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of CRR II and use the PRA's disclosure templates and instructions. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

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

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

Comparatives and references

To give insight into movements during the year, 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 of CRR II.

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 subsequently submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods.

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

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 *3Q23 Earnings Release* 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 processes, improve consistency, and enhance controls across our regulatory reports, focusing on our prudential regulatory reporting and other priority regulatory reports globally.

Our ongoing programme of work on our prudential regulatory reports is being phased over a number of years, prioritising RWA, capital and liquidity reporting. This programme includes both data enhancement and the transformation of the reporting systems that they flow into. While this programme continues, there may be further impacts on some of our regulatory ratios, such as 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. We are also establishing enhanced risk stewardship and assurance over our regulatory reports and have developed a strategic inventory and tooling to drive consistent standards and accountability.

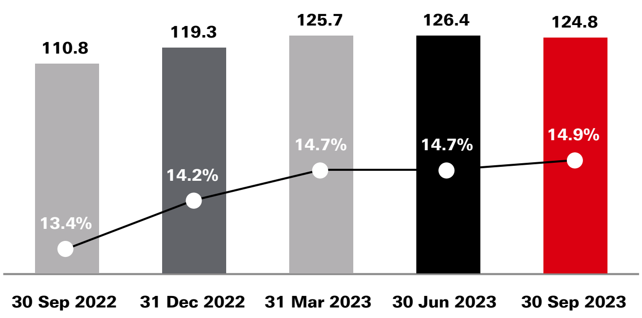
Highlights

CET1 ratio

At 30 September 2023, our CET1 ratio was 14.9%. We intend to manage the CET1 ratio within our medium-term target range of 14% to 14.5%, and we aim to manage this range down in the long term. In addition, our dividend payout ratio is 50% for 2023 and 2024 excluding material notable items. We have announced a third interim dividend of $0.10 per share and launched a further share buy-back of up to $3bn which we expect to complete by our 2023 full-year results announcement on 21 February 2024. Further buy-backs will be subject to appropriate capital levels.

Material notable items comprise the impacts of the planned sale of our retail banking operations in France, the provisional gain following the acquisition of SVB UK and the agreed sale of our banking business in Canada. Completion of the sale of the banking business in Canada is expected to occur in the first quarter of 2024, subject to governmental approvals. The estimated gain on sale of $5.5bn (as at 30 September 2023) will be recognised through a combination of the consolidation of HSBC Canada's results into the Group's financial statements from 30 September 2023 until completion, and the remaining gain on sale recognised at completion.

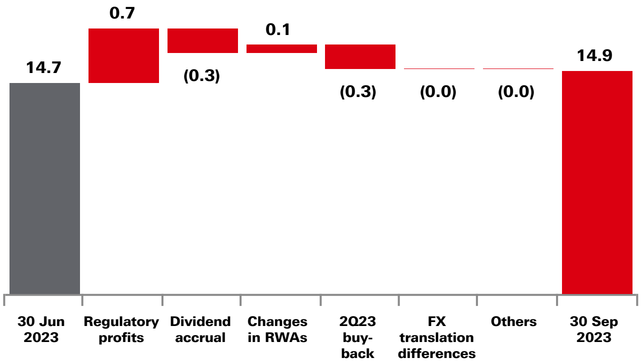
CET1 capital ($bn) and ratio (%)



CET1 ratio movement, %

Our CET1 capital ratio of 14.9% increased by 0.2 percentage points compared with 2Q23, driven by capital generation and lower RWAs, partly offset by the dividend accrual and the share buy-back announced at 2Q23.

CET1 ratio movement, %



RWAs

RWAs decreased by $19.5bn. Excluding the $12.5bn fall of foreign currency translation differences, the $7.0bn decrease was predominantly attributed to changes in methodology and policy and the sale of our Oman business, which was partly offset by asset quality movements.

RWAs by risk type

$840.0bn (30 June 2023: $859.5bn)

Risk-weighted assets 30 Sep 2023	$m	%
Credit risk	674.9	80
Operational risk	85.5	10
Market risk	42.7	5
Counterparty credit risk	36.9	5

Liquidity

The average **Group LCR was 134%** or $164bn above the regulatory requirement and the average high-quality liquid assets ('HQLA') was $641bn. The average **Group NSFR was 134%.** At 30 September 2023, all of the Group's material operating entities were above regulatory minimum levels.

Liquidity

	30 Sep 2023	30 Jun 2023
LCR (%)	134	132
NSFR (%)	134	134

Key metrics

The table below sets out the key regulatory metrics covering the Group's available capital (including buffer requirements and ratios), RWAs, leverage, liquidity coverage and net stable funding ratios. 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 LCR and NSFR ratios presented in this table are based on average values. The LCR is the average of the preceding 12 months for each quarter and the NSFR is the average of the preceding four quarters.

Key metrics (KM1/IFRS9-FL)

		At				
Ref		**30 Sep 2023**	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
	Available capital ($bn)					
1	Common equity tier 1 ('CET1') capital	**124.8**	126.4	125.7	119.3	110.8
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**124.8**	126.4	125.7	119.0	110.5
2	Tier 1 capital	**142.5**	145.8	145.1	139.1	130.5
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**142.5**	145.8	145.1	138.8	130.2
3	Total capital	**165.5**	170.0	169.6	162.4	149.9
	Total capital as if IFRS 9 transitional arrangements had not been applied	**165.5**	170.0	169.6	162.1	149.6
	Risk-weighted assets ('RWAs') ($bn)					
4	Total RWAs	**840.0**	859.5	854.4	839.7	828.3
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**840.0**	859.5	854.4	839.4	828.1
	Capital ratios (%)					
5	CET1	**14.9**	14.7	14.7	14.2	13.4
	CET1 as if IFRS 9 transitional arrangements had not been applied	**14.9**	14.7	14.7	14.2	13.3
6	Tier 1	**17.0**	17.0	17.0	16.6	15.8
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**17.0**	17.0	17.0	16.5	15.7
7	Total capital	**19.7**	19.8	19.8	19.3	18.1
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19.7**	19.8	19.8	19.3	18.1
	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	0.7
UK-7d	Total SREP own funds requirements	**10.6**	10.6	10.6	10.6	10.7
	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**	0.5	0.4	0.4	0.2
10	Global systemically important institution buffer	**2.0**	2.0	2.0	2.0	2.0
11	Combined buffer requirement	**5.2**	5.0	4.9	4.9	4.7
UK-11a	Overall capital requirements	**15.8**	15.6	15.5	15.5	15.4
12	CET1 available after meeting the total SREP own funds requirements	**8.9**	8.7	8.7	8.2	7.3
	Leverage ratio					
13	Total exposure measure excluding claims on central banks ($bn)	**2,478.3**	2,497.9	2,486.1	2,417.2	2,414.8
14	Leverage ratio excluding claims on central banks (%)	**5.7**	5.8	5.8	5.8	5.4
	Average exposure measure excluding claims on central banks ($bn)	**2,491.1**	2,506.5	2,454.8	2,416.6	2,462.5
	Additional leverage ratio disclosure requirements					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**5.7**	5.8	5.8	5.7	5.4
14b	Leverage ratio including claims on central banks (%)	**4.9**	5.0	5.0	4.9	4.7
14c	Average leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.7	5.6	5.5
14d	Average leverage ratio including claims on central banks (%)	**5.0**	5.0	4.9	4.8	4.7
14e	Countercyclical leverage ratio buffer (%)	**0.2**	0.2	0.2	0.1	0.1
EU-14d	Leverage ratio buffer requirement (%)	**0.9**	0.9	0.9	0.8	0.8
EU-14e	Overall leverage ratio requirements (%)	**4.2**	4.2	4.2	4.1	4.1
	Liquidity coverage ratio ('LCR')					
15	Total high-quality liquid assets ($bn)	**641.1**	631.2	634.9	647.0	662.9
UK-16a	Cash outflows – total weighted value ($bn)	**673.8**	672.2	670.4	668.1	667.3
UK-16b	Cash inflows – total weighted value ($bn)	**197.0**	194.5	188.7	177.3	170.4
16	Total net cash outflow ($bn)	**476.8**	477.7	481.7	490.8	496.9
17	LCR (%)	**134**	132	132	132	133
	Net stable funding ratio ('NSFR')					
18	Total available stable funding ($bn)	**1,599.2**	1,575.2	1,557.4	1,552.0	1,538.8
19	Total required stable funding ($bn)	**1,196.6**	1,171.8	1,148.4	1,138.4	1,123.9
20	NSFR (%)	**134**	134	136	136	137

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.

A list of the main features of our capital instruments and eligible liabilities, in accordance with Article 437 of CRR II, is published on our website at www.hsbc.com/investors with reference to our balance sheet at 30 June 2023. The full terms and conditions of our securities are also available on our website at www.hsbc.com/investors.

For further details of our approach to treasury risk management, see page 202 of the Annual Report and Accounts 2022.

Own funds disclosure

		At	
		30 Sep 2023	30 Jun 2023
Ref		**$m**	$m
6	Common equity tier 1 capital before regulatory adjustments	**163,344**	164,015
28	Total regulatory adjustments to common equity tier 1	**(38,516)**	(37,597)
29	**Common equity tier 1 capital**	**124,828**	126,418
36	Additional tier 1 capital before regulatory adjustments	**17,732**	19,442
43	Total regulatory adjustments to additional tier 1 capital	**(60)**	(60)
44	**Additional tier 1 capital**	**17,672**	19,382
45	**Tier 1 capital**	**142,500**	145,800
51	Tier 2 capital before regulatory adjustments	**24,472**	25,668
57	Total regulatory adjustments to tier 2 capital	**(1,430)**	(1,447)
58	**Tier 2 capital**	**23,042**	24,221
59	**Total capital**	**165,542**	170,021

At 30 September 2023, our CET1 capital ratio increased to 14.9% from 14.7% at 30 June 2023, reflecting a decrease in RWAs of $19.5bn, partly offset by a decline in CET1 capital of $1.6bn.

The impact on the CET1 ratio of these changes were as follows:

- a 0.2 percentage point increase from capital generation, mainly through profits less dividends, adjusted for the share buy-back announced at our 2Q23 results;
- a 0.1 percentage point increase from the fall in the underlying RWAs, primarily driven by strategic disposals including the sale of our Oman business; and
- a 0.1 percentage point reduction due to an increase in regulatory deductions, primarily for intangible assets, excess expected loss and non-performing exposures.

Foreign exchange movements reduced CET1 capital by $2.0bn and RWAs by $12.5bn, contributing to a minimal decrease in the CET1 ratio.

Our Pillar 2A requirement, set by 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 3Q23 we complied with the PRA's regulatory capital adequacy requirement.

Our leverage ratio was 5.7% at 30 September 2023, down from 5.8% at 30 June 2023, due to a reduction in tier 1 capital. This was partly offset by a decrease in the leverage exposure, which was primarily due to foreign currency translation movements.

The average leverage ratio was 5.8% at 30 September 2023, unchanged from 30 June 2023 due to an increase in average tier 1 capital, and a fall in the average leverage exposure, primarily due to a decline in the average balance sheet.

For further details of certain risks to capital and liquidity, see page 203 of the Annual Report and Accounts 2022.

Material regulatory and other changes

Basel 3.1

In September 2023, the PRA announced changes to the UK implementation of Basel 3.1 with a new proposed implementation date of 1 July 2025. For further details related to the November 2022 consultation, see page 6 of our *Pillar 3 Disclosures at 31 December 2022*. We are currently assessing the impact of the consultation paper and the associated implementation challenges (including data provision) on our RWAs upon initial implementation. We will update as soon as practicable after the final rules are announced. The RWA output floor under Basel 3.1 is now proposed to be subject to a four-and-a-half year transitional provision. Any impact from the output floor would be towards the end of the transition period.

Planned sale of our retail banking operations in France

On 20 September 2023, following completion of the information and consultation processes of their respective works councils, HSBC Continental Europe, Promontoria MMB SAS ('My Money Group') and its subsidiary Banque des Caraïbes SA signed a binding framework agreement reflecting revised terms for the planned sale of HSBC Continental Europe's retail banking operations in France. The reinstatement of the impairment is expected to have an adverse impact of approximately 0.3 percentage points on our CET1 ratio. This is expected to occur during the fourth quarter of 2023 upon obtaining the necessary regulatory approvals, and would result in the reclassification of the disposal group as held for sale.

Agreed sale of our banking business in Canada

In November 2022, we announced the planned sale of our banking business in Canada. Completion of the transaction is expected to occur in the first quarter of 2024, subject to governmental approvals. The gain on sale is expected to have a favourable impact of approximately 1.3 percentage points on our CET1 ratio.

For further details of disposal groups and business acquisitions, see page 5 of the 3Q23 Earnings Release.

Risk-weighted assets

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

Overview of RWAs (OV1)

		At		
		30 Sep 2023	30 Jun 2023	**30 Sep 2023**
		RWAs	RWAs	**Total own funds requirements**
		$m	$m	**$m**
1	**Credit risk (excluding counterparty credit risk)[1]**	**668,133**	683,407	**53,451**
2	– standardised approach ('STD')	**162,375**	166,416	**12,990**
3	– foundation internal ratings-based ('FIRB') approach	**76,536**	78,883	**6,123**
4	– slotting approach	**26,703**	26,835	**2,136**
UK 4a	– equities under the simple risk-weighted approach[2]	**5,329**	5,177	**426**
5	– advanced IRB ('AIRB') approach	**397,190**	406,096	**31,775**
6	**Counterparty credit risk ('CCR')**	**36,770**	38,488	**2,942**
7	– standardised approach	**10,351**	11,121	**828**
8	– internal model method ('IMM')	**11,819**	12,029	**946**
UK-8a	– exposures to a central counterparty	**2,212**	2,769	**177**
UK-8b	– credit valuation adjustment	**2,798**	3,881	**224**
9	– other counterparty credit risk	**9,590**	8,688	**767**
15	**Settlement risk**	**140**	160	**11**
16	**Securitisation exposures in the non-trading book**	**6,822**	7,154	**546**
17	– internal ratings-based approach ('SEC-IRBA')	**1,452**	1,574	**116**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**2,314**	2,466	**185**
19	– standardised approach ('SEC-SA')	**2,911**	2,963	**233**
UK-19a	– 1250% deduction	**145**	151	**12**
20	**Position, foreign exchange and commodities risks (market risk)**	**42,716**	42,973	**3,417**
21	– standardised approach	**15,427**	16,977	**1,234**
22	– internal models approach ('IMA')	**27,289**	25,996	**2,183**
23	**Operational risk**	**85,468**	87,363	**6,837**
UK-23b	– standardised approach	**85,468**	87,363	**6,837**
29	**Total**	**840,049**	859,545	**67,204**
24	*– of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[3]*	***46,863***	*47,299*	***3,749***

1 *The credit risk balances include RWAs on free deliveries of $1.9bn of which, advanced internal ratings-based ('AIRB') approach is $1.4bn, foundation IRB ('FIRB') approach is $0.4bn and standardised ('STD') approach is $0.1bn.*
2 *This includes off-balance sheet collective investment undertakings ('CIU') equity exposures, calculated as per the PRA Rulebook Article 132(c).*
3 *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 $15.3bn. Excluding a decrease of $10.5bn from foreign currency translation differences, RWAs fell by $4.8bn, reflecting:

- a $4.4bn decrease mainly due to risk parameter refinements notably in Asia, HSBC Bank plc and SAB;
- a $3.3bn decrease from strategic disposals, primarily due to the sale of our Oman business; and
- a $0.7bn fall in RWAs driven by a change in our risk approach to multilateral development banks' exposures, following approval from the PRA.

These were partly offset by:

- a $1.9bn rise in RWAs due to asset quality movements driven by portfolio mix changes and unfavourable credit risk rating migrations, mainly in HSBC UK, HSBC Bank plc, Asia and the US; and
- a $1.6bn increase in RWAs due to asset size movements mainly from higher sovereign exposures and mortgage growth, which was partly offset by a fall in customer lending.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs fell by $1.7bn, largely due to mark-to-market movements and matured derivatives, mainly in HSBC Bank plc, Asia and Mexico.

Securitisation

Securitisation RWAs decreased by $0.3bn, primarily due to portfolio reductions.

Market risk

The $0.3bn decrease in market risk RWAs was mainly attributed to a fall in equity dividend risk, interest rate risk in bond exposures, and lower foreign exchange exposures. This decrease was largely offset by an increase in value at risk due to heightened market volatility and the implementation of a new stressed value at risk model.

Operational risk

Operational risk RWAs decreased by $1.9bn due to foreign exchange translation differences.

RWAs by legal entities[1]

	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	Total
	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
Credit risk	**106.9**	**70.0**	**312.8**	**17.1**	**59.3**	**26.7**	**24.8**	**49.3**	**8.0**	**674.9**
Counterparty credit risk	**0.2**	**18.2**	**9.3**	**0.8**	**3.3**	**0.5**	**0.6**	**4.0**	**—**	**36.9**
Market risk[2]	**0.1**	**21.7**	**24.3**	**3.7**	**3.7**	**1.0**	**0.7**	**2.9**	**9.0**	**42.7**
Operational risk	**15.2**	**14.4**	**39.2**	**3.0**	**7.4**	**3.0**	**4.7**	**5.2**	**(6.6)**	**85.5**
At 30 Sep 2023	**122.4**	**124.3**	**385.6**	**24.6**	**73.7**	**31.2**	**30.8**	**61.4**	**10.4**	**840.0**
At 30 Jun 2023	125.7	127.4	391.5	24.2	73.1	31.4	30.7	66.3	11.3	859.5

1 *Balances are on a third-party Group consolidated basis.*
2 *Market risk RWAs are non-additive across the principal entities due to diversification effects within the Group.*

The table below presents the drivers of the quarterly movements of credit risk RWAs (excluding counterparty credit risk) under the internal ratings-based ('IRB') approach. The table excludes securitisation positions, equity exposures, non-credit obligation assets, and includes free deliveries.

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

		Quarter ended			
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Ref		**$m**	$m	$m	$m
1	**RWAs at opening period**	**497,817**	503,959	506,898	505,157
2	Asset size	**919**	(2,155)	4,019	(10,354)
3	Asset quality	**1,409**	1,077	(1,563)	1,505
4	Model updates	**(902)**	(660)	252	(1,688)
5	Methodology and policy	**(3,058)**	(4,711)	(7,152)	(1,733)
6	Acquisitions and disposals	**(1,785)**	—	—	—
7	Foreign exchange movements[1]	**(8,029)**	307	1,505	14,011
9	**RWAs at end of period**	**486,371**	497,817	503,959	506,898

1 *Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies. 31 December 2022 balances are not restated.*

Excluding foreign currency translation differences, RWAs under the IRB approach fell by $3.4bn during the quarter.

Changes in methodology and policy led to a $3.1bn decrease in RWAs, mostly due to risk parameter refinements in Asia.

RWAs decreased by $1.8bn primarily due to strategic disposals including the sale of our Oman business.

RWAs reduced by $0.9bn driven by a change in our risk approach to multilateral development banks' exposures, following approval from the PRA.

These were partly offset by a $1.4bn increase in RWAs from asset quality movements, which was primarily due to unfavourable credit risk rating migrations and portfolio mix changes. A further rise of $0.9bn was due to asset size movements mainly reflecting higher sovereign exposures and mortgage growth, which was partly offset by a reduction in corporate lending.

The table below represents the drivers of the quarterly movements of counterparty credit risk RWAs under the internal model method ('IMM') approach.

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

		Quarter ended			
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Ref		**$m**	$m	$m	$m
1	**RWAs at opening period**	**12,029**	11,080	11,758	14,778
2	Asset size	**(266)**	915	(614)	(3,004)
3	Credit quality of counterparties	**56**	34	(64)	7
4	Model updates (IMM only)	**—**	—	—	—
5	Methodology and policy (IMM only)	**—**	—	—	(23)
9	**RWAs at end of period**	**11,819**	12,029	11,080	11,758

RWAs under the internal model method decreased by $0.2bn in 3Q23, largely due to mark-to-market movements in Asia.

The table below represents the drivers of the quarterly movements of market risk RWAs under the internal model approach ('IMA').

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

Ref		Value at risk ('VaR')	Stressed VaR	Incremental risk charge ('IRC')	Other	Total RWAs	Capital requirement
		$m	$m	$m	$m	$m	$m
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**
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
1	RWAs at 1 Jan 2023	7,630	11,091	3,429	1,775	23,925	1,914
2	Movement in risk levels	364	(2,754)	2,047	(174)	(517)	(41)
8	RWAs at 31 Mar 2023	7,994	8,337	5,476	1,601	23,408	1,873
1	RWAs at 1 Oct 2022	7,575	10,922	3,634	1,423	23,554	1,884
2	Movement in risk levels	55	169	182	352	758	61
4	Methodology and policy	—	—	(387)	—	(387)	(31)
8	RWAs at 31 Dec 2022	7,630	11,091	3,429	1,775	23,925	1,914

RWAs under the internal models approach rose by $1.3bn, mostly attributed to an increase in value at risk due to the heightened market volatility and the implementation of a new stressed value at risk model, which was partly offset by a fall in equity dividend 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 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.

The following tables summarise key metrics for the total loss-absorbing capacity for 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 and other credit impairment charges ('ECL') that may be available to the resolution group.

Key metrics of the European resolution group[1] (KM2)

		At				
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
1	Total loss-absorbing capacity ('TLAC') available ($bn)	**99.4**	103.3	101.0	93.9	82.3
1a	Fully loaded ECL accounting model TLAC available ($bn)	**99.4**	103.3	101.0	93.8	82.3
2	Total RWAs at the level of the resolution group ($bn)	**261.4**	271.3	273.7	258.3	258.7
3	TLAC as a percentage of RWA (row1/row2) (%)	**38.0**	38.1	36.9	36.3	31.8
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**38.0**	38.1	36.9	36.3	31.8
4	Leverage exposure measure at the level of the resolution group ($bn)[2]	**907.0**	927.0	906.1	845.2	838.8
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[2]	**11.0**	11.1	11.1	11.1	9.8
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)[2]	**11.0**	11.1	11.1	11.1	9.8
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 Asian resolution group[3] (KM2)

		At				
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
1	Total loss-absorbing capacity ('TLAC') available ($bn)	**108.2**	110.3	115.2	108.0	102.3
1a	Fully loaded ECL accounting model TLAC available ($bn)	**108.2**	110.3	115.2	108.0	102.3
2	Total RWAs at the level of the resolution group ($bn)	**404.2**	404.1	404.3	413.3	405.9
3	TLAC as a percentage of RWA (row1/row2) (%)	**26.8**	27.3	28.5	26.1	25.2
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**26.8**	27.3	28.5	26.1	25.2
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,222.8**	1,211.6	1,206.3	1,192.3	1,179.6
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**8.8**	9.1	9.6	9.1	8.7
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**8.8**	9.1	9.6	9.1	8.7
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

Key metrics of the US resolution group (KM2)

		At				
		30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
1	Total loss-absorbing capacity ('TLAC') available ($bn)	**23.1**	24.0	24.0	23.8	25.5
1a	Fully loaded ECL accounting model TLAC available ($bn)[4]	**23.1**	24.0	24.0	23.8	25.5
2	Total RWAs at the level of the resolution group ($bn)	**106.0**	107.2	108.2	108.5	112.8
3	TLAC as a percentage of RWA (row1/row2) (%)	**21.8**	22.4	22.1	21.9	22.6
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)[4]	**21.8**	22.4	22.1	21.9	22.6
4	Leverage exposure measure at the level of the resolution group ($bn)[5]	**216.3**	217.5	215.0	215.6	220.8
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[5]	**10.7**	11.0	11.1	11.0	11.6
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)[4,5]	**10.7**	11.0	11.1	11.0	11.6
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 *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 (%)	**No**	No	No	No	No

1 *The European resolution group reports in accordance with CRR II. On adoption of IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' have been restated.*
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 Hong Kong Monetary Authority 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 18 of the Group's Pillar 3 Disclosures at 30 June 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 high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30 calendar day liquidity stress scenario. For the disclosure of the LCR, we follow Article 451a of CRR II. HSBC assesses the limitations in the fungibility of entity liquidity around the Group and this has resulted in a reduction of $154bn to LCR HQLA and $7bn to LCR inflows for the 12 months to 30 September 2023. The methodology was designed to better incorporate local regulatory restrictions on the transferability of liquidity.

At 30 September 2023, all of the Group's material operating entities exceeded their minimum required regulatory levels. The average Group LCR for the 12 months to 30 September 2023 was 134% or $164bn above the regulatory requirement, after the deduction related to limitations in transferring liquidity around the Group.

The average Group LCR HQLA of $641bn (30 June 2023: $631bn) 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.

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 134% at 30 September 2023 and 134% at 30 June 2023.

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.

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 202 of the Annual Report and Accounts 2022.

More details on the concentration of funding and liquidity sources may be found on page 100 of the Interim Report 2023.

The table below sets out the granular split of cash outflows and cash inflows, as well as the available high-quality liquid assets on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio. The table discloses the liquidity coverage ratio, high-quality liquid assets and net outflows based on end-of-the-month observations over the preceding 12 months for each quarter.

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

		Quarter ended (average)							
UK-1a		**30 Sep 2023**		30 Jun 2023		31 Mar 2023		31 Dec 2022	
		Total unweighted value	**Total weighted value**	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
		$m	**$m**	$m	$m	$m	$m	$m	$m
UK-1b	Number of data points used in the calculation of averages		**12**		12		12		12
High-quality liquid assets									
1	Total high-quality liquid assets ('HQLA')		**641,068**		631,213		634,889		647,046
Cash outflows									
2	Retail deposits and small business funding	**860,071**	**90,418**	855,586	89,663	856,477	89,371	864,427	89,484
3	– *of which:* *stable deposits*	***360,588***	***18,029***	*357,746*	*17,887*	*358,078*	*17,904*	*364,294*	*18,215*
4	*less stable deposits*	***499,484***	***72,389***	*497,840*	*71,776*	*498,399*	*71,467*	*500,133*	*71,269*
5	Unsecured wholesale funding	**801,147**	**360,801**	806,001	363,743	813,437	368,274	827,862	375,510
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**253,059**	**61,888**	256,219	62,700	260,107	63,685	266,713	65,333
7	– non-operational deposits (all counterparties)	**539,000**	**289,825**	540,536	291,797	543,997	295,256	550,851	299,879
8	– unsecured debt	**9,088**	**9,088**	9,246	9,246	9,333	9,333	10,298	10,298
9	Secured wholesale funding		**31,452**		30,237		27,025		22,018
10	Additional requirements	**320,392**	**104,158**	316,602	105,295	316,187	107,707	319,363	109,062
11	– outflows related to derivative exposures and other collateral requirements	**55,499**	**50,484**	56,714	52,278	58,195	54,317	58,036	54,609
12	– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
13	– credit and liquidity facilities	**264,893**	**53,674**	259,887	53,017	257,993	53,390	261,327	54,453
14	Other contractual funding obligations	**100,799**	**65,931**	99,385	63,006	97,471	58,240	96,178	52,648
15	Other contingent funding obligations	**657,492**	**21,075**	649,697	20,268	645,005	19,742	640,540	19,333
16	**Total cash outflows**		**673,835**		672,212		670,359		668,055
Cash inflows									
17	Secured lending transactions (including reverse repos)	**324,746**	**47,187**	312,681	47,094	300,345	44,947	292,139	42,794
18	Inflows from fully performing exposures	**109,814**	**82,705**	110,361	83,057	112,748	84,564	112,942	84,424
19	Other cash inflows	**124,722**	**67,171**	120,290	64,382	113,402	59,215	103,435	50,087
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		**—**		—		—		—
UK-19b	(Excess inflows from a related specialised credit institution)		**—**		—		—		—
20	**Total cash inflows**	**559,282**	**197,063**	543,332	194,533	526,495	188,726	508,516	177,305
UK-20a	Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	**559,282**	**197,063**	543,332	194,533	526,495	188,726	508,516	177,305
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**641,068**		631,213		634,889		647,046
22	Total net cash outflows		**476,772**		477,679		481,633		490,750
23	Liquidity coverage ratio (%)		**134**		132		132		132

Cautionary statement regarding forward-looking statements

These *Pillar 3 Disclosures at 30 September 2023* contains 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 (including, without limitation, as a result of the Russia-Ukraine war); the Russia-Ukraine war and its 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, inflationary pressures and ongoing developments in the commercial real estate sector in mainland China); increased volatility in the financial services and banking sector; potential changes in HSBC's dividend policy; changes and volatility in foreign exchange rates and interest rate 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 Ibors and the development of near risk-free benchmark rates, as well as the transition of legacy Ibor contracts to near risk-free benchmark rates, which continues to expose HSBC to execution risks, including in relation to the effectiveness of its Ibor remediation strategy, and increases 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, particularly with respect to the regulation of financial services, despite the signing of the Trade and Cooperation Agreement between the UK and the EU; 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 with respect to the commitments set forth in our thermal coal phase-out policy and our energy policy and our targets to reduce our on-balance sheet financed emissions in eight high-emitting sectors), which may result in our failure to achieve any of the expected benefits of our strategic priorities; 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 success in adequately integrating SVB UK into our CMB business; changes in our ability to manage third-party, fraud 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 climate-related products consistent with the evolving expectations of our regulators, and our capacity to measure the climate impact from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our climate ambition, our targets to reduce financed emissions in our high-emitting sectors portfolio and the commitments 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 22 of the *Earnings Release 3Q23*.

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 2023* is available in our *Annual Report and Accounts* for the fiscal year ended 31 December 2022, which was filed with the SEC on Form 20-F on 22 February 2023.

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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