HSBC Holdings plc

Pillar 3 Disclosures at 31 March 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 1Q23*, 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 requirements of local regulatory authorities.

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. 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.

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.

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

Our *Pillar 3 Disclosures at 31 March 2023* comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with part Eight of the Capital Requirements Regulation and Directive, as implemented ('CRR II') and the PRA Rulebook, 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.

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

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(1) 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 will restate comparatives.

Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives. Wherever specific rows and columns in the tables prescribed are not applicable or 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 *1Q23 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 as delegated by the Group Audit Committee.

Regulatory reporting processes and controls

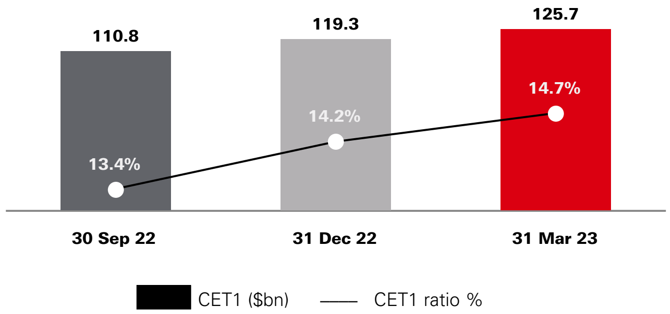
The quality of regulatory reporting remains a key priority for management and regulators. We are progressing with a comprehensive programme to strengthen our processes, improve consistency, and enhance controls across our prudential regulatory reporting, with a focus on PRA requirements initially. We commissioned a number of independent external reviews, some at the request of our regulators, including one on our credit risk RWA reporting process, which concluded in December 2022. These reviews have so far resulted in higher RWAs and refinements to the liquidity coverage ratio ('LCR') through improvements in reporting accuracy, which have been reflected in our reported regulatory ratios. Our prudential regulatory reporting programme is being phased over a number of years, with a focus on RWA, capital and liquidity reporting in the early stages of the programme. As we implement recommended changes from the programme, there may be further impacts on some of our regulatory ratios, such as the LCR, and common equity tier 1 ('CET1') and net stable funding ratio ('NSFR').

Highlights

CET1 ratio

At 31 March 2023, our CET1 ratio was 14.7%. Our current intention is to manage the CET1 ratio within our medium-term target range of 14% to 14.5%, with a dividend payout ratio of 50% for 2023 and 2024, excluding material notable items. Given the strength of our capital position, we have announced a first interim dividend of $0.10 per share and a share buy-back of up to $2bn. Further buy-backs for 2023 and beyond will be subject to appropriate capital levels. Our capital distributions are independent of both the reversal of the impairment of our retail banking operations in France and our provisional gain on the acquisition of Silicon Valley Bank UK Limited ('SVB UK').

CET1 capital and ratio[1]

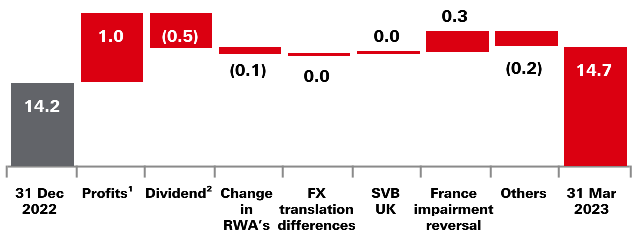


1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*

CET1 ratio movement, %

The CET1 ratio increased by 0.5 percentage points compared with 4Q22, which was driven by capital generation net of the dividend accrual and included an approximately 25bps impact from the reversal of an impairment on the planned sale of our retail banking operations in France. The acquisition of SVB UK had a minimal impact on the CET1 ratio.

CET1 ratio movement, %



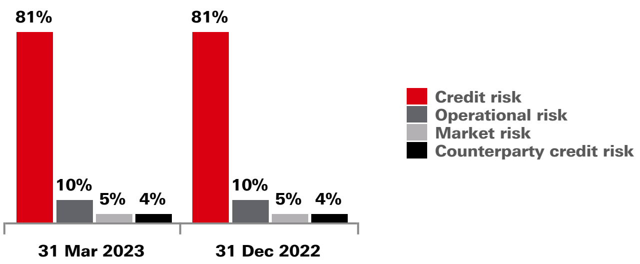
1 *Regulatory profits.*
2 *Includes ordinary dividend accrual of $3.5bn and additional tier 1 ('AT1') coupon payment of $0.4bn.*

RWAs

RWAs increased by $14.7bn. Excluding $3.4bn of foreign currency translation differences, the $11.3bn increase was predominantly due to the acquisition of SVB UK, and RWA asset size growth in Corporate Centre and WPB. This was partly offset by reductions due to a regulatory change related to the risk weighting of residential mortgages in Hong Kong.

RWAs by risk type

$854.4bn (31 December 2022: $839.7bn)



Liquidity

The average **Group LCR was 132%** or $153bn above regulatory requirement and the average Group LCR HQLA was $634.9bn. The **Group NSFR was 136%. Liquidity remains stable** as at 31 March 2023. The acquisition of SVB UK had a minimal impact on liquidity.

Liquidity

	31 Mar 2023	31 Dec 2022	30 Sep 2022
LCR (%)	**132**	132	133
NSFR (%)	**136**	136	137

Key metrics

Key metrics (KM1/IFRS9-FL)

		At				
		31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
Ref		**2023**	2022	2022	2022	2022
	Available capital ($bn)[1,2]					
1	Common equity tier 1 ('CET1') capital	**125.7**	119.3	110.8	115.8	121.4
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**125.7**	119.0	110.5	115.4	121.0
2	Tier 1 capital	**145.1**	139.1	130.5	137.5	143.9
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**145.1**	138.8	130.2	137.1	143.5
3	Total capital	**169.6**	162.4	149.9	158.5	165.6
	Total capital as if IFRS 9 transitional arrangements had not been applied	**169.6**	162.1	149.6	158.1	165.2
	Risk-weighted asset ('RWAs') ($bn)[2]					
4	Total RWAs	**854.4**	839.7	828.3	851.7	862.3
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**854.4**	839.4	828.1	851.4	862.0
	Capital ratios (%)[1,2]					
5	CET1	**14.7**	14.2	13.4	13.6	14.1
	CET1 as if IFRS 9 transitional arrangements had not been applied	**14.7**	14.2	13.3	13.6	14.0
6	Tier 1	**17.0**	16.6	15.8	16.1	16.7
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**17.0**	16.5	15.7	16.1	16.6
7	Total capital	**19.8**	19.3	18.1	18.6	19.2
	Total capital as if IFRS 9 transitional arrangements had not been applied	**19.8**	19.3	18.1	18.6	19.2
	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	0.7	0.6	0.6
UK-7d	Total SREP own funds requirements	**10.6**	10.6	10.7	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	**0.4**	0.4	0.2	0.2	0.2
10	Global systemically important institution buffer	**2.0**	2.0	2.0	2.0	2.0
11	Combined buffer requirement	**4.9**	4.9	4.7	4.7	4.7
UK-11a	Overall capital requirements	**15.5**	15.5	15.4	15.4	15.3
12	CET1 available after meeting the total SREP own funds requirements	**8.7**	8.2	7.3	7.6	8.1
	Leverage ratio[2,3]					
13	Total exposure measure excluding claims on central banks ($bn)	**2,486.1**	2,417.2	2,414.8	2,484.2	2,532.9
14	Leverage ratio excluding claims on central banks (%)	**5.8**	5.8	5.4	5.5	5.7
	Average exposure measure excluding claims on central banks ($bn)	**2,454.8**	2,416.6	2,462.5	2,501.3	2,555.7
	Additional leverage ratio disclosure requirements[2,3]					
14a	Fully loaded expected credit losses ('ECL') accounting model leverage ratio excluding claims on central banks (%)	**5.8**	5.7	5.4	5.5	5.7
14b	Leverage ratio including claims on central banks (%)	**5.0**	4.9	4.7	4.8	4.9
14c	Average leverage ratio excluding claims on central banks (%)	**5.7**	5.6	5.5	5.6	5.7
14d	Average leverage ratio including claims on central banks (%)	**4.9**	4.8	4.7	4.8	4.9
14e	Countercyclical leverage ratio buffer (%)	**0.2**	0.1	0.1	0.1	0.1
EU-14d	Leverage ratio buffer requirement (%)	**0.9**	0.8	0.8	0.8	0.8
EU-14e	Overall leverage ratio requirements (%)	**4.2**	4.1	4.1	4.1	4.1
	Liquidity coverage ratio ('LCR')[4] — average					
15	Total high-quality liquid assets ($bn)	**634.9**	647.0	662.9	675.5	688.3
UK-16a	Cash outflows – total weighted value ($bn)	**670.4**	668.1	667.3	666.0	663.1
UK-16b	Cash inflows – total weighted value ($bn)	**188.7**	177.3	170.4	165.6	161.6
16	Total net cash outflow ($bn)	**481.7**	490.8	496.9	500.4	501.5
17	LCR ratio (%)	**132**	132	133	135	137
	Net stable funding ratio ('NSFR')[4]					
18	Total available stable funding ($bn)	**1,557.4**	1,552.0	1,538.8	1,566.5	1,596.6
19	Total required stable funding ($bn)	**1,148.4**	1,138.4	1,123.9	1,138.7	1,158.1
20	NSFR ratio (%)	**136**	136	137	138	138

1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*
2 *Since 30 September 2022, investments in non-financial institution subsidiaries or participations have been measured on an equity accounting basis as per the prudential consolidation of article 18(7) of the CRR II. Comparatives have not been restated as this change has no significant prior period impact on this disclosure.*
3 *The leverage ratio is calculated using the CRR II end point basis for capital.*
4 *Since 30 September 2022, the LCR and NSFR ratios presented in this table have been based on average values. The LCR is the average of the preceding 12 months for each quarter. The NSFR is the average of the preceding quarters.*

Unless stated otherwise, figures have been prepared on an IFRS 9 transitional basis. At 31 March 2023, the IFRS 9 add-back to CET1 capital and the related tax charge were immaterial. For further details of our application of IFRS 9 transitional regulatory arrangements, refer to page 30 of the Earnings Release 1Q23.

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, in accordance with Annex VIII of Disclosure (CRR) is published on our website at www.hsbc.com with reference to our balance sheet on 31 December 2022. The full terms and conditions of our securities are also available at www.hsbc.com.

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

Own funds disclosure

		At	
		31 Mar 2023	31 Dec 2022
Ref		**$m**	$m
6	Common equity tier 1 capital before regulatory adjustments[1]	**166,760**	158,092
28	Total regulatory adjustments to common equity tier 1[1]	**(41,074)**	(38,801)
29	**Common equity tier 1 capital**	**125,686**	119,291
36	Additional tier 1 capital before regulatory adjustments	**19,444**	19,836
43	Total regulatory adjustments to additional tier 1 capital	**(60)**	(60)
44	**Additional tier 1 capital**	**19,384**	19,776
45	**Tier 1 capital**	**145,070**	139,067
51	Tier 2 capital before regulatory adjustments	**25,874**	24,779
57	Total regulatory adjustments to tier 2 capital	**(1,357)**	(1,423)
58	**Tier 2 capital**	**24,517**	23,356
59	**Total capital**	**169,587**	162,423

1 *On adoption of 'IFRS 17 'Insurance Contracts', comparative data previously published under IFRS 4 'Insurance Contracts' has been restated from the 1 January 2022 transition date, with no impact on CET1 and total capital.*

At 31 March 2023, our CET1 capital ratio increased to 14.7% from 14.2% at 31 December 2022, reflecting an increase in CET1 capital of $6.4bn, which was partly offset by an increase in RWAs of $14.7bn. The key drivers of the overall rise in our CET1 ratio during the quarter were:

- a 0.5 percentage point increase from the $3.7bn capital generation through profits less dividends;
- a 0.3 percentage point increase from the reversal of the impairment relating to the planned sale of our retail banking operations in France, and the provisional gain on the acquisition of SVB UK; and
- a 0.1 percentage point increase driven by regulatory change that reduced the risk weighting of residential mortgages in Hong Kong.

These movements were partly offset by a 0.4 percentage point fall in the CET1 ratio, driven primarily by an increase in the underlying RWAs and deductions for investments in financial sector entities, intangible assets and excess expected loss.

At 31 March 2023, 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 1Q23 we complied with the PRA's regulatory capital adequacy requirement.

The average leverage ratio was 5.7% at 31 March 2023, up from 5.6% at 31 December 2022, primarily due to an increase of 0.2 percentage point in average tier 1 capital. This was partly offset by a rise of 0.1 percentage point in the average leverage exposure, which was primarily due to growth in the average balance sheet.

Impact of regulatory and other developments

In November 2022, the Prudential Regulation Authority ('PRA') issued a consultation on the UK implementation of Basel 3.1 with a proposed implementation date of 1 January 2025. For further details, see page 6 of the Group's *Pillar 3 Disclosures at 31 December 2022*. We currently do not foresee a material net impact on our ratios from the initial implementation. The RWA output floor under Basel 3.1 is proposed to be subject to a five-year transitional provision. Any impact from the output floor would be towards the end of the transition period.

For further details of certain risks to capital and liquidity, see page 202 of the *Annual Report and Accounts 2022.*

Risk-weighted assets

Overview of RWAs (OV1)

		At		
		31 Mar 2023	31 Dec 2022	**31 Mar 2023**
		RWAs	RWAs	**Capital requirement[1]**
		$m	$m	**$m**
1	**Credit risk (excluding counterparty credit risk)[2]**	**683,278**	672,007	**54,662**
2	– standardised approach	**161,396**	153,584	**12,912**
3	– foundation internal ratings-based ('FIRB') approach	**80,427**	78,790	**6,434**
4	– slotting approach	**26,968**	27,031	**2,157**
UK 4a	– equities under the simple risk-weighted approach[3]	**4,030**	—	**322**
5	– advanced IRB ('AIRB') approach	**410,457**	412,602	**32,837**
6	**Counterparty credit risk ('CCR')**	**35,924**	36,857	**2,874**
7	– standardised approach	**9,819**	9,997	**786**
8	– internal model method ('IMM')	**11,080**	11,777	**886**
UK-8a	– exposures to a central counterparty[4]	**2,871**	839	**230**
UK-8b	– credit valuation adjustment	**3,689**	3,284	**295**
9	– other counterparty credit risk[2,5]	**8,465**	10,960	**677**
15	**Settlement risk**	**260**	215	**21**
16	**Securitisation exposures in the non-trading book**	**7,141**	7,085	**571**
17	– internal ratings-based approach ('SEC-IRBA')	**1,595**	1,764	**128**
18	– external ratings-based approach ('SEC-ERBA') (including internal assessment approach ('IAA'))	**2,443**	2,424	**195**
19	– standardised approach ('SEC-SA')	**2,763**	2,583	**221**
UK-19a	– 1250% deduction	**340**	314	**27**
20	**Position, foreign exchange and commodities risks (market risk)**	**40,901**	37,630	**3,272**
21	– standardised approach	**17,493**	13,705	**1,399**
22	– internal models approach ('IMA')	**23,408**	23,925	**1,873**
23	**Operational risk**	**86,930**	85,926	**6,954**
UK-23b	– standardised approach	**86,930**	85,926	**6,954**
29	**Total**	**854,434**	839,720	**68,355**
24	– *of which: amounts below the thresholds for deduction (subject to 250% risk-weight)[6]*	***47,214***	*44,683*	***3,777***

1 *'Capital requirement' in this table represents the minimum capital charge set at 8% of RWAs by Article 92(1) of CRR II.*
2 *From 1 January 2023, RWAs related to free deliveries have been allocated to credit risk, having previously been classified under counterparty credit risk.*
3 *Equity exposures within collective investment undertakings were previously classified under the credit risk standardised approach.*
4 *From 1 January 2023, RWAs related to central counterparties have been reclassified to row 8a, having previously been classified in other counterparty credit risk categories.*
5 *Other counterparty credit risk includes RWAs on securities financing transactions.*
6 *These balances are included in rows 2 and 5 of the table and includes thresholds for the recognition of significant investments and deferred tax assets.*

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

Credit risk (including amounts below the thresholds for deduction)

Credit risk RWAs rose by $11.3bn, including an increase of $2.8bn from foreign currency translation differences.

The acquisition of SVB UK led to an RWA increase of $8.8bn.

The $5.7bn increase in RWAs due to asset size movements mainly reflected growth in sovereign exposures and retail lending, and higher thresholds for the recognition of significant investments in financial sector entities. This was partly offset by lower corporate lending, mostly in Hong Kong and HSBC Bank plc, and a fall in debt securities in Mexico.

The $3.7bn drop in RWAs due to methodology and policy changes, included a $7.7bn fall due to a regulatory change related to the risk weighting of residential mortgages in Hong Kong, partly offset by increases related to changes to risk weights on certain exposures in our associate Saudi Awwal Bank ('SAB') and other risk parameter refinements. A further rise of $2.2bn was due to the reclassification of free delivery exposures from counterparty credit risk.

A $2.0bn decrease in RWAs due to asset quality movements was driven by portfolio mix changes, mainly in Hong Kong and mainland China, which were partly offset by unfavourable movements in Egypt and North America.

The $0.3bn fall in RWAs from model updates was due to the application of a new model for premium financing and wealth portfolio lending in Asia.

Counterparty credit risk, including settlement risk

Counterparty credit risk RWAs fell by $0.9bn, largely due to a $2.2bn decrease from the reclassification of free delivery exposures to credit risk and a $0.5bn fall from risk parameter refinements. This was offset by an increase of $1.8bn largely due to higher market volatility and a further rise of $0.3bn through the acquisition of SVB UK.

Market risk

The $3.3bn rise in market risk RWAs mainly reflected exposures relating to HSBC Canada disposal hedges and higher structural foreign exchange exposures. The acquisition of SVB UK led to an increase of $0.1bn RWAs.

Operational risk

Operational risk RWAs increased by $1.0bn, due to $0.6bn of foreign exchange translation differences, and $0.4bn through the acquisition of SVB UK.

RWAs by legal entities[2]

	HSBC UK Bank plc	HSBC Bank plc	The Hong Kong 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	107.3	75.2	321.4	17.4	59.4	27.6	23.0	51.1	8.0	690.4
Counterparty credit risk	0.5	18.1	8.8	1.0	3.0	0.6	0.7	3.5	—	36.2
Market risk[1]	0.3	22.3	25.1	1.6	3.7	0.6	0.7	2.7	10.3	40.9
Operational risk	15.3	14.7	39.8	3.0	7.4	3.0	4.6	5.7	(6.6)	86.9
At 31 Mar 2023	**123.4**	**130.3**	**395.1**	**23.0**	**73.5**	**31.8**	**29.0**	**63.0**	**11.7**	**854.4**

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

RWA movement by legal entities by key driver[2]

	Credit risk, counterparty credit risk and operational risk										
	HSBC UK Bank plc	HSBC Bank plc	The Hong Kong 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	Market risk	Total RWAs
	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
RWAs at 1 Jan 2023	110.8	106.5	378.4	20.8	69.5	31.1	26.2	58.0	0.8	37.6	839.7
Asset size	0.1	1.2	2.2	1.1	0.3	(0.3)	0.4	2.1	0.4	3.8	11.3
Asset quality	0.5	(0.9)	(2.9)	(0.4)	—	0.5	0.1	0.8	—	—	(2.3)
Model updates	—	—	(0.3)	—	—	—	—	—	—	—	(0.3)
Methodology and policy	(0.6)	(0.2)	(7.0)	(0.1)	—	(0.1)	—	1.5	0.1	(0.6)	(7.0)
Acquisitions and disposals	9.5	—	—	—	—	—	—	—	—	0.1	9.6
Foreign exchange movements[1]	2.8	1.4	(0.4)	—	—	—	1.6	(2.1)	0.1	—	3.4
Total RWA movement	12.3	1.5	(8.4)	0.6	0.3	0.1	2.1	2.3	0.6	3.3	14.7
RWAs at 31 Mar 2023	**123.1**	**108.0**	**370.0**	**21.4**	**69.8**	**31.2**	**28.3**	**60.3**	**1.4**	**40.9**	**854.4**

1 Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies.
2 Balances are on a third-party Group consolidated basis.

RWA flow statements of credit risk exposures under IRB approach[1] (CR8)

		Quarter ended			
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Ref		**$m**	$m	$m	$m
1	**RWAs at opening period**	**506,898**	505,157	511,846	516,747
2	Asset size	**4,019**	(10,354)	6,178	6,973
3	Asset quality	**(1,563)**	1,505	(127)	1,168
4	Model updates	**252**	(1,688)	(1,274)	1,748
5	Methodology and policy	**(7,152)**	(1,733)	9,047	3,438
6	Acquisitions and disposals	**—**	—	(232)	—
7	Foreign exchange movements[2]	**1,505**	14,011	(20,281)	(18,228)
9	**RWAs at end of period**	**503,959**	506,898	505,157	511,846

1 Table excludes securitisation positions, equity exposures and non-credit obligation assets, and includes free deliveries.
2 Foreign exchange movements in this disclosure are computed by retranslating the RWAs into US dollars based on the underlying transactional currencies. Prior period balances are not restated.

Excluding foreign currency translation differences, RWAs under the IRB approach fell by $4.4bn during the quarter.

Changes in methodology and policy led to a $7.2bn decrease in RWAs, mostly due to a regulatory change related to the risk weighting of residential mortgages in Hong Kong, partly offset by increases related to risk parameter refinements. A further decrease of $1.6bn was due to asset quality movements, mainly driven by portfolio mix changes.

This was partly offset by a $4.0bn increase in RWAs from asset size movements, which was mostly due to growth in sovereign exposures and retail lending. A further rise of $0.3bn was due to the application of a new model in Hong Kong and Singapore, which resulted in the reclassification of premium financing and wealth portfolio lending from the standardised approach.

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

		Quarter ended			
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022
Ref		**$m**	$m	$m	$m
1	**RWAs at opening period**	**11,758**	14,778	13,958	14,244
2	Asset size	**(614)**	(3,004)	992	(366)
3	Asset quality	**(64)**	7	(15)	(105)
4	Model updates	**—**	—	—	(46)
5	Methodology and policy	**—**	(23)	(157)	231
9	**RWAs at end of period**	**11,080**	11,758	14,778	13,958

RWAs under the internal model method decreased by $0.7bn in 1Q23, predominantly due to market volatility in the UK.

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

		Value at risk ('VaR')	**Stressed VaR**	**Incremental risk charge ('IRC')**	**Other**	**Total RWAs**	**Capital requirement**
Ref		**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
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)**
4	Methodology and policy	**—**	**—**	**—**	**—**	**—**	**—**
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
1	RWAs at 1 Jul 2022	5,808	6,188	3,598	1,562	17,156	1,373
2	Movement in risk levels	1,934	5,197	51	(128)	7,054	563
4	Methodology and policy	(167)	(463)	(15)	(11)	(656)	(52)
8	RWAs at 30 Sep 2022	7,575	10,922	3,634	1,423	23,554	1,884
1	RWAs at 1 Apr 2022	5,139	6,633	3,469	1,688	16,929	1,354
2	Movement in risk levels	669	(445)	129	(126)	227	19
8	RWAs at 30 Jun 2022	5,808	6,188	3,598	1,562	17,156	1,373

RWAs under the internal models approach fell by $0.5bn, mostly due to volatility falling in the period as reflected in the $2.7bn drop in stressed VaR. This was partly offset by a $2.1bn increase in IRC caused by higher exposures at risk.

Minimum requirement for own funds and eligible liabilities

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

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

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

The following tables summarise key metrics for 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				
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
1	Total loss absorbing capacity ('TLAC') available ($bn)	**101.0**	93.9	82.3	87.9	99.7
1a	Fully loaded ECL accounting model TLAC available ($bn)	**101.0**	93.8	82.3	87.8	99.6
2	Total RWAs at the level of the resolution group ($bn)	**273.7**	258.3	258.7	309.1	314.8
3	TLAC as a percentage of RWA (row1/row2) (%)	**36.9**	36.3	31.8	28.4	31.7
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**36.9**	36.3	31.8	28.4	31.6
4	Leverage exposure measure at the level of the resolution group ($bn)[2]	**906.1**	845.2	838.8	909.2	943.5
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[2]	**11.1**	11.1	9.8	9.7	10.6
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)[2]	**11.1**	11.1	9.8	9.7	10.5
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				
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
1	Total loss absorbing capacity ('TLAC') available ($bn)	**115.2**	108.0	102.3	103.0	96.6
1a	Fully loaded ECL accounting model TLAC available ($bn)	**115.2**	108.0	102.3	103.0	96.6
2	Total RWAs at the level of the resolution group ($bn)	**404.3**	413.3	405.9	414.5	409.5
3	TLAC as a percentage of RWA (row1/row2) (%)	**28.5**	26.1	25.2	24.9	23.6
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**28.5**	26.1	25.2	24.9	23.6
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,206.3**	1,192.3	1,179.6	1,200.0	1,207.5
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**9.6**	9.1	8.7	8.6	8.0
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**9.6**	9.1	8.7	8.6	8.0
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

Key metrics of the US resolution group (KM2)

		At				
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
1	Total loss absorbing capacity ('TLAC') available ($bn)	**24.0**	23.8	25.5	26.4	26.6
1a	Fully loaded ECL accounting model TLAC available ($bn)[4]	**24.0**	23.8	25.5	26.4	26.6
2	Total RWAs at the level of the resolution group ($bn)	**108.2**	108.5	112.8	110.4	109.5
3	TLAC as a percentage of RWA (row1/row2) (%)	**22.1**	21.9	22.6	23.9	24.3
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)[4]	**22.1**	21.9	22.6	23.9	24.3
4	Leverage exposure measure at the level of the resolution group ($bn)[5]	**215.0**	215.6	220.8	221.0	232.1
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)[5]	**11.1**	11.0	11.6	11.9	11.5
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)[4,5]	**11.1**	11.0	11.6	11.9	11.5
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	N/A	N/A

1 The European resolution group reports in accordance with CRR II. We have adopted IFRS 9 regulatory transitional arrangements and the add-back at 31 March 2023 was immaterial. From 30 September 2022, investments in non-financial institution subsidiaries or participations have been measured on an equity accounting basis as per the prudential consolidation of article 18(7) of the CRR II. Comparative data was not restated for this change. From 1 January 2023, we adopted IFRS 17 'Insurance Contracts', which retrospectively replaced IFRS 4 'Insurance Contracts'. Comparatives have been re-presented for September and December 2022. March and June 2022 have not been re-presented as the impact was not deemed material.

2 The leverage exposure is calculated in line with the UK leverage rules that were implemented on 1 January 2022, 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's 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 23 of the Group's Pillar 3 Disclosures at 31 December 2022 *document.*

Liquidity

Management of liquidity and funding risk

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.

At 31 March 2023, all of the Group's material operating entities were above regulatory levels. The Group average LCR for the 12 months to 31 March 2023 was 132% or $153bn above regulatory requirement after the application of the Group adjustment required under the PRA rulebook. This Group adjustment was used to reflect the impact of limitations in the fungibility of entity liquidity around the Group and resulted in the average adjustment of $164bn to LCR HQLA and $8bn to LCR inflows for the 12 months to 31 March 2023.

The average Group LCR HQLA of $634.9bn (31 December 2022: $647.1bn) was held in a range of asset classes and currencies. Of these, 97% were eligible as level 1 (31 December 2022: 97%).

The decrease in average HQLA from 31 December 2022 was mainly driven by the impact of foreign currency translation movements over the 12 months.

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 Group NSFR was 135% at 31 March 2023 and the average over the previous four quarters was 136% at 31 December 2022.

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.

Level and components of HSBC Group consolidated liquidity coverage ratio (LIQ1)[1]

UK-1a		Quarter ended (average)							
		31 Mar 2023		31 Dec 2022		30 Sep 2022		30 Jun 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')		**634,889**		647,046		662,875		675,533
Cash outflows									
2	Retail deposits and small business funding	**856,477**	**89,371**	864,427	89,484	878,293	90,110	890,120	90,544
3	– *of which:* *stable deposits*	***358,078***	***17,904***	*364,294*	*18,215*	*374,849*	*18,742*	*385,465*	*19,273*
4	*less stable deposits*	***498,399***	***71,467***	*500,133*	*71,269*	*503,443*	*71,367*	*502,067*	*71,119*
5	Unsecured wholesale funding	**813,437**	**368,274**	827,862	375,510	843,630	382,791	853,967	386,608
6	– operational deposits (all counterparties) and deposits in networks of cooperative banks	**260,107**	**63,685**	266,713	65,333	271,688	66,565	274,274	67,206
7	– non-operational deposits (all counterparties)	**543,997**	**295,256**	550,851	299,879	560,647	304,931	567,965	307,674
8	– unsecured debt	**9,333**	**9,333**	10,298	10,298	11,295	11,295	11,728	11,728
9	Secured wholesale funding		**27,025**		22,018		17,845		14,536
10	Additional requirements	**316,188**	**107,707**	319,363	109,062	326,828	110,187	336,204	111,080
11	– outflows related to derivative exposures and other collateral requirements	**58,195**	**54,317**	58,036	54,609	56,795	53,575	55,752	52,457
12	– outflows related to loss of funding on debt products	**—**	**—**	—	—	—	—	—	—
13	– credit and liquidity facilities	**257,993**	**53,390**	261,327	54,453	270,033	56,612	280,452	58,622
14	Other contractual funding obligations	**97,471**	**58,240**	96,178	52,648	94,467	47,634	92,096	45,184
15	Other contingent funding obligations	**645,005**	**19,742**	640,540	19,333	637,255	18,708	633,981	18,084
16	**Total cash outflows**		**670,359**		668,055		667,275		666,036
Cash inflows									
17	Secured lending transactions (including reverse repos)	**300,345**	**44,947**	292,139	42,794	290,536	41,425	286,636	40,089
18	Inflows from fully performing exposures	**112,748**	**84,564**	112,942	84,424	113,381	84,488	113,676	83,903
19	Other cash inflows	**113,402**	**59,215**	103,435	50,087	98,632	44,508	96,650	41,651
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**	**526,495**	**188,726**	508,516	177,305	502,549	170,421	496,962	165,643
UK-20a	Fully exempt inflows	**—**	**—**	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	**—**	**—**	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	**526,495**	**188,726**	508,516	177,305	502,549	170,421	478,400	165,643
Liquidity coverage ratio (adjusted value)									
UK-21	Liquidity buffer		**634,889**		647,046		662,875		675,533
22	Total net cash outflows		**481,633**		490,750		496,854		500,392
23	Liquidity coverage ratio (%)		**131.8**		131.8		133.4		135.1

1 *The above table sets out the requirement to disclose the liquidity coverage ratio, liquid assets and net outflows based on end-of-the-month observations over the preceding 12 months for each quarter.*

Cautionary statement regarding forward-looking statements

This *Pillar 3 Disclosures at 31 March 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 and, to a lesser extent, the Covid-19 pandemic); the Russia-Ukraine war and the Covid-19 pandemic 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, inflationary pressures and the Covid-19 pandemic); increased volatility in the financial services and banking sector; potential changes in HSBC's dividend policy; changes in foreign exchange rates and interest rates, 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 (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 exposes HSBC to material 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 and as a result of the Covid-19 pandemic); 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, rising interest rates and the consequences of the Covid-19 pandemic 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, including the recently announced reporting changes and the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way we prepare our financial statements and (with respect to IFRS 17) may negatively affect the profitability of HSBC's insurance business; 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 'Risks' on page 20 of the *Earnings Release 1Q23*.

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 this *Pillar 3 Disclosures at 31 March 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
CCR[1]	Counterparty credit risk
CET1[1]	Common equity tier 1
CMB	Commercial Banking, a global business
CRR II	Revised Capital Requirements Regulation, as implemented
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
MENA	Middle East and North Africa
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 internal rating-based approach
SEC-IRBA	Securitisation external rating-based approach
SEC-SA	Securitisation standardised approach
SREP	Supervisory review and evaluation process
SVB UK	Silicon Valley Bank UK Ltd
TLAC[1]	Total loss absorbing capacity
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
UK	United Kingdom
US	United States
VaR[1]	Value at risk

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

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